

BKW Group  
Financial Report 2009



With a turnover of CHF 3,593 million in 2009, the BKW Group is one of Switzerland's largest energy companies. It employs more than 2,800 people and covers all stages of energy supply: from production and transport to trading and distribution. Directly and indirectly via its distribution partners, BKW supplies power to more than a million people. BKW's production portfolio covers hydroelectric power plants, a nuclear power plant, a gas-fired combined-cycle power plant and new renewable energy facilities. Today BKW is the leading Swiss producer of power from photovoltaics, wind energy, small-scale hydropower and biomass.

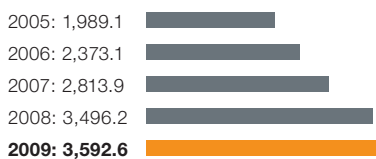


# Facts & Figures 2009

## BKW Group

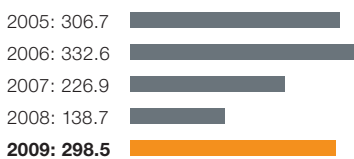
### Total operating revenue

CHF millions



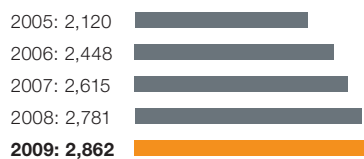
### Net profit

CHF millions



### Number of employees

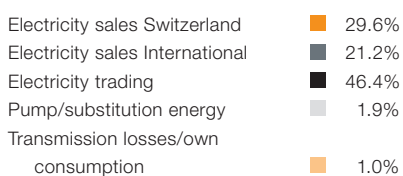
Full-time equivalents



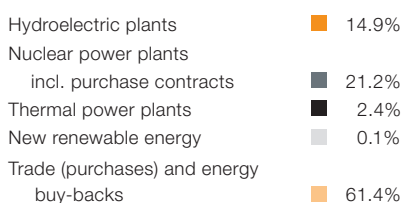
### Electricity business

GWh	2009	2008	2007	2006	2005
<b>Sales</b>					
Electricity sales Switzerland	8,075	7,978	7,760	7,674	7,058
Electricity sales International	5,768	5,201	4,835	5,004	3,774
Electricity trading	12,638	11,882	10,842	6,223	7,044
Pump/substitution energy	509	536	465	660	665
Transmission losses/own consumption	265	372	317	314	363
<b>Total</b>	<b>27,255</b>	<b>25,969</b>	<b>24,219</b>	<b>19,875</b>	<b>18,904</b>
<b>Generation and purchases</b>					
Hydroelectric plants	4,052	4,012	3,875	3,629	3,489
Nuclear power plants incl. purchase contracts	5,784	5,884	5,799	5,915	5,371
Thermal power plants	648	375	0	0	0
New renewable energy	39	28	14	16	15
Trade (purchases) and energy buy-backs	16,732	15,670	14,531	10,315	10,029
<b>Total</b>	<b>27,255</b>	<b>25,969</b>	<b>24,219</b>	<b>19,875</b>	<b>18,904</b>

### Sales 2009



### Generation and purchases 2009



## Financials

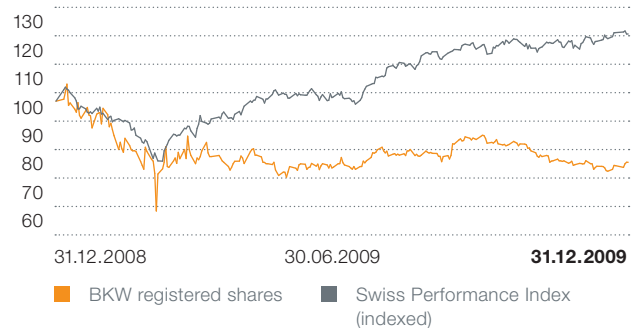
CHF millions	2009	2008	2007 restated	2006	2005
Total operating revenue	3,592.6	3,496.2	2,813.9	2,373.1	1,989.1
Operating profit before depreciation, amortisation and impairment	501.6	471.3	412.6	604.1	431.0
Net profit	298.5	138.7	226.9	332.6	306.7
Cash flow from operating activities	602.7	242.5	362.1	267.8	308.0
Purchase of property, plant and equipment	289.7	270.3	211.5	129.4	129.5
Balance sheet total	6,519.0	5,989.3	5,868.3	5,597.9	5,508.9
Shareholders' equity	3,244.3	3,069.8	3,104.9	2,966.5	2,742.8
> as % of balance sheet total	49.8	51.3	52.9	53.0	49.8

## Key figures per share

CHF	2009	2008	2007 restated	2006	2005
Par value	2.50	2.50	2.50	2.50	2.50
Share price					
> Year-end price	80.50	102.00	144.00	143.30	88.00
> Year high	108.00	159.50	148.00	143.40	95.85
> Year low	63.35	90.00	114.40	90.50	67.40
Earnings per share (BKW shareholders' portion)	5.74	2.65	4.36	6.31	5.88
Equity per share (BKW shareholders' portion)	61.87	58.63	59.43	56.08	51.85
Market capitalisation in CHF millions	4,190.5	5,298.3	7,463.6	7,515.4	4,627.5

Changes in IFRS accounting and valuation principles from 2007 have resulted in limited scope for comparison with prior years.

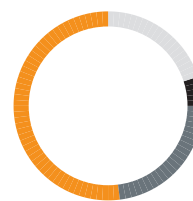
## Performance of the BKW share 31.12.2008–31.12.2009



## Shareholders

Canton of Berne  
E.ON Energie AG  
Groupe E Ltd.  
Other

■ 52.5%  
■ 21.0%  
■ 5.0%  
■ 21.5%



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# Financial Result

## Energy business remains strong

In the 2009 financial year, sales and operating income were increased. Due to the positive financial result, net profit was significantly higher. The BKW Group<sup>1</sup> expects to close the 2010 financial year with stable revenue and slightly lower operating profit.

### Higher sales and net profit

In 2009 BKW further expanded its market position and increased sales in a difficult economic and regulatory environment. Consolidated operating revenue ended the year at CHF 3,592.6 million. The result reflects the Group's undiminished strong operational earnings power and the general easing of international financial markets. Operating profit before depreciation, amortisation and impairment (EBITDA) grew to CHF 501.6 million. The increase in operating profit is attributable to the Group's sustained strong operational earnings power and a change in pension plan assets which resulted in CHF 28.6 million being recognised in income. Stabilisation on the financial markets resulted in a significantly higher financial result and a corresponding increase in profit, with net profit ending the year at CHF 298.5 million.

### Changes in accounting principles and the scope of consolidation

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). Various new or revised accounting standards became applicable in the 2009 financial year. These changes have had no significant effect on the presentation of the financial position, results of operations and cash flows of BKW. However, the following changes have resulted in additional disclosures in the consolidated financial statements:

- › IFRS 8 Operating Segments governs the disclosure of segment reporting and requires segments and segment results to be defined on the basis of management approaches, i.e. based on the organisational structure and internal reporting. Accordingly, BKW now provides segment reporting by division. BKW operates three business segments: Energy Switzerland, Energy International and Trading, and Networks. Introduction of segment reporting has further enhanced

transparency. Information on the segments is provided in Note 5 to the consolidated financial statements.

- › IAS 1 Presentation of Financial Statements now requires the separate disclosure of changes in equity not attributable to transactions with shareholders. BKW now presents these transactions in a separate "Statement of Comprehensive Income".
- › Another change to IAS 1 concerns the classification of derivatives in the balance sheet. Formerly derivatives were generally reported as short-term positions under current assets and short-term liabilities. As a result of the change, BKW derivatives are now classified as current or non-current on the basis of their settlement date.

The following main changes were made to BKW scope of consolidation in 2009:

- › In Italy, 100% of the shares in the project company Volturino Wind S.r.l. were acquired. The company is planning to build a wind farm with 14 wind turbines and a capacity of more than 25 MW in the Apulia region. The facility is scheduled to go into operation in 2011.
- › EnBW Energie Baden-Württemberg AG of Germany acquired 75.1% of the shares in the project company STKW Energie Dörpen GmbH & Co. KG, which is aiming to develop a coal-fired power plant in Dörpen/Emsland (Lower Saxony). BKW retains a 24.9% share in the project company. Formerly a fully consolidated company, STKW Energie Dörpen GmbH & Co. KG has now been reclassified as an associated company.

### Higher sales in energy business

In 2009 BKW recorded consolidated operating revenue of CHF 3,592.6 million: 2.8% higher than the prior-year period. The energy business performed well in a difficult economic and regulatory environment, and BKW successfully strengthened its market position even further.

The Energy Switzerland segment grew total operating revenue by 26.8% to CHF 2,054.2 million. Net sales to external customers were up 11.4% to CHF 1,117.4 million, chiefly as a

→ <sup>1</sup> The BKW Group comprises BKW FMB Energy Ltd. and its Group companies. For better legibility, these are all referred to in the report as "BKW". Where the text relates specifically to BKW FMB Energy Ltd., this is expressly mentioned.

result of higher electricity prices and growth in electricity sales outside the supply region. Net sales to other segments rose by 57.3% to CHF 882.2 million due to higher internal transfer prices for electricity production. At CHF 74.2 million, EBIT increased by 19.3% year-on-year. Following a decision by DETEC to abolish the time limit on the operating licence for Mühleberg nuclear power plant, the useful life was increased from 40 to 50 operating years. As a result of this change, impairments of CHF 38.9 million on nuclear power plant facilities and fuels were reviewed and reversed. The reversal was recognised in income and included under depreciation, amortisation and impairment. Excluding this effect, operating profit fell by 26.9 million. This reduction is primarily a result of higher energy procurement costs and additional costs related to the settlement of accounts for general ancillary services to power plants with a capacity of  $\geq 50$  MW.

Energy International and Trading grew total operating revenue by 9.6% to CHF 3,094.3 million. Net sales to external customers dropped slightly by 1.4% to CHF 2,196.6 million, while net sales to other segments rose by 51.7% to CHF 887.5 million due to higher internal transfer prices for energy. EBIT declined by 4.0% to CHF 159.4 million. In the second half of 2009 the existing gas-fired combined-cycle power plant projects in Italy were reassessed and impairments of around CHF 31 million were recognised. These adjustments were reported under Depreciation, amortisation and impairment. The good operating result thanks to higher internal transfer prices for energy and additional revenue from participation in auctions for ancillary services was unable to fully offset the write-downs for gas-fired combined-cycle power plant projects.

Revenue from electricity trading rose by 7.9% to CHF 1,456.9 million, largely as a result of income from participation in auctions for ancillary services. At CHF 24.5 million, revenue from derivative trading was CHF 1.3 million higher than the prior-year figure, thanks to successful leverage of the volatile market environment.

Revenue from international sales fell by 11.4% to CHF 591.1 million, with volume-related growth in revenue in Germany unable to fully compensate for lower demand in Italy in the wake of the economic downturn.

Total operating revenue for the Networks segment was stable, dropping only slightly by 1.9% to CHF 647.5 million. Net sales to external customers rose by 8.2% to CHF 174.5 million, while net sales to other segments fell by 3.8% to CHF 418.6 million. External revenue for grid usage is largely generated by Energy Switzerland and disclosed as internal revenue by the Networks segment, hence the low figure for revenue generated by Networks outside the Group. The bulk of this revenue is accounted for by engineering services and the electrical installation business, which generated a 4.5% increase in revenue to CHF 109.2 million. EBIT was down 24.7% to CHF 102.4 million, chiefly due to new regulatory requirements.

#### **Good operating profit, better financial result**

Energy procurement costs in 2009 amounted to CHF 2,329.1 million, corresponding to a slight increase of 0.2% compared to the prior-year period.

The change in pension plan assets which was recognised in income resulted in a reduction of CHF 6.1 million in personnel expenses. Excluding this effect, personnel expenses increased by CHF 22.5 million due to the larger workforce and higher salary costs. As a result of higher expenses for production expansion and additional costs incurred for general ancillary services for power plants with a capacity  $\geq 50$  MW, material and third-party services increased by CHF 38.5 million to 204.6 million, and other operating expenses by CHF 37.5 million to CHF 241.2 million.

Operating profit before depreciation, amortisation and impairment (EBITDA) was 6.4% higher at CHF 501.6 million, mainly due to positive developments in the energy business. With energy procurement costs remaining stable, higher sales were posted. Depreciation, amortisation and impairment rose by CHF 12.3 million year-on-year to CHF 144.7 million. This position is primarily related to the impairments recognised for existing gas-fired combined-cycle power plants in Italy and the recalculation and reversal of impairments for the nuclear power plant facilities and fuels in Mühleberg. Operating profit (EBIT) rose by 5.3% to CHF 356.9 million.

In the wake of recovery on the equity markets, the financial result for 2009 rose to CHF 28.2 million compared to the prior-year loss of CHF 167.3 million. The easing on international financial markets resulted in gains on shares and securities related to the state funds, as opposed to the high losses recorded in 2008. Due to the higher result, income tax expenses rose by CHF 53.7 million to CHF 86.6 million.

In contrast to the prior-year period, good performance in the energy business was not diminished by a negative financial result and BKW's net profit for the 2009 financial year rose from CHF 138.7 million to CHF 298.5 million.

#### **Higher balance sheet total and slightly lower equity ratio**

In 2009 the balance sheet total grew by 8.8% to CHF 6,519 million. While current assets rose only slightly, non-current assets were 11.8% higher due to the increase in investments in equity-valued companies and non-current financial assets. On the liabilities side, short-term liabilities increased by 4.6% while long-term liabilities rose by 14.8% due to a bond issue of CHF 350 million. Shareholders' equity rose by 5.7% to CHF 3,244.3 million, while the equity ratio was down slightly from 51.3% to 49.8%.

In December 2009 DETEC granted Mühleberg nuclear power plant an unlimited operating licence, as a result of which the provision for nuclear disposal was remeasured as of 31 December 2009. The industry-wide cost estimate last updated in 2006 was applied, which is predicated on an operating period of 50 years. While the longer operating period entails more nuclear waste and hence higher disposal costs, it will also in particular reduce decommissioning costs, since future payments are measured at present value. In total, CHF 89.0 million was released from the provision. In accordance with IFRIC 1, the reversal of provision was booked against the acquisition cost of the nuclear power plant facilities and nuclear fuels (see Note 21) without affecting income.

#### **Higher cash flow from operating activities**

At CHF 602.7 million, cash flow from operating activities was CHF 360.2 million above the prior-year figure. This increase is mainly attributable to the reduction in net current assets and lower tax payments. Cash outflow from investing activities

increased by 5.8% to CHF 596.1 million, while cash inflow from financing activities amounted to CHF 239.7 million, chiefly due to a bond issue of CHF 350 million. This represents an increase of CHF 361.0 million compared to the prior-year cash outflow.

#### **Outlook**

BKW expects to close the 2010 financial year with stable development in the energy business and revenue on a par with the prior year. Nevertheless, sustained low energy prices on the international markets, economic uncertainty, new regulatory requirements and costs related to strategic projects – particularly in connection with the drive to expand production – are likely to have an impact on the operating result. Taking all these factors into account, EBITDA is likely to fall short of the 2009 figure, adjusted for the special effect of the adjustment in pension plan assets booked to income. The financial result is dependent on financial market movements; assuming that the recovery is now complete and that financial markets remain stable, BKW expects to close 2010 with net profit lower than the prior-year figure.



# Consolidated Financial Statements of the BKW Group

## Consolidated Income Statement

CHF millions	Note	2009	2008
Net sales	5	3,488.5	3,391.5
Own work capitalised		42.8	35.6
Other operating income		61.3	69.1
<b>Total operating revenue</b>		<b>3,592.6</b>	<b>3,496.2</b>
Energy procurement	5	-2,329.1	-2,332.9
Material and third-party services		-204.6	-166.1
Personnel expenses	6	-316.1	-322.2
Other operating expenses	7	-241.2	-203.7
<b>Total operating expenses</b>		<b>-3,091.0</b>	<b>-3,024.9</b>
<b>Operating profit before depreciation, amortisation and impairment</b>		<b>501.6</b>	<b>471.3</b>
Depreciation, amortisation and impairment	8	-144.7	-132.4
<b>Operating profit</b>		<b>356.9</b>	<b>338.9</b>
Financial income	9	111.2	52.7
Financial expenses	9	-84.7	-243.3
Income from equity-valued companies	14	1.7	23.3
<b>Profit before income taxes</b>		<b>385.1</b>	<b>171.6</b>
Income taxes	10	-86.6	-32.9
<b>Net profit</b>		<b>298.5</b>	<b>138.7</b>
Profit attributable to non-controlling interests		0.1	0.9
Profit attributable to BKW shareholders		298.4	137.8
Earnings per share in CHF (diluted and undiluted)	11	5.74	2.65

# Consolidated Financial Statements of the BKW Group

## Consolidated Statement of Comprehensive Income

	2009	2008
CHF millions		
<b>Net profit</b>	<b>298.5</b>	<b>138.7</b>
Currency translations		
› Currency translations	-9.8	-52.8
› Income taxes on currency translations	-0.3	5.9
Available-for-sale financial assets		
› Value adjustments	-5.1	-0.7
› Income taxes on value adjustments	1.3	-1.1
<b>Total changes in value recorded in shareholders' equity</b>	<b>-13.9</b>	<b>-48.7</b>
<b>Total comprehensive income</b>	<b>284.6</b>	<b>90.0</b>
Total comprehensive income attributable to non-controlling interests	0.1	0.5
Total comprehensive income attributable to BKW shareholders	284.5	89.5

# Consolidated Financial Statements of the BKW Group

## Consolidated Balance Sheet

	Note	31.12.2009	31.12.2008 restated	31.12.2007 restated
CHF millions				
<b>Assets</b>				
Property, plant and equipment	13	2,025.1	1,935.2	1,857.7
Investments in equity-valued companies	14	1,040.7	820.2	694.9
Derivatives	26	38.6	43.7	22.8
Non-current financial assets	15	1,033.2	888.3	1,019.5
Intangible assets	16	175.8	173.8	142.5
Deferred tax assets	10	27.8	21.9	22.2
<b>Total non-current assets</b>		<b>4,341.2</b>	<b>3,883.1</b>	<b>3,759.6</b>
Inventories	17	20.7	16.8	15.4
Accounts receivable	18	578.9	626.3	578.9
Income tax receivables		4.8	2.6	0.0
Derivatives	26	86.4	232.2	70.8
Current financial assets	15	860.8	826.6	653.6
Prepaid expenses and accrued income	19	166.4	185.7	118.1
Cash and cash equivalents	30	459.8	216.0	671.9
<b>Total current assets</b>		<b>2,177.8</b>	<b>2,106.2</b>	<b>2,108.7</b>
<b>Total assets</b>		<b>6,519.0</b>	<b>5,989.3</b>	<b>5,868.3</b>
CHF millions				
<b>Liabilities</b>				
Share capital	20	132.0	132.0	132.0
Capital reserves		35.0	35.0	35.0
Retained earnings		3,138.1	2,975.1	3,023.3
Treasury shares	20	-84.3	-96.4	-110.2
<b>Equity attributable to BKW shareholders</b>		<b>3,220.8</b>	<b>3,045.7</b>	<b>3,080.1</b>
Equity attributable to non-controlling interests		23.5	24.1	24.8
<b>Total shareholders' equity</b>		<b>3,244.3</b>	<b>3,069.8</b>	<b>3,104.9</b>
Deferred tax liabilities	10	553.4	533.8	541.2
Derivatives	26	37.8	49.6	16.9
Long-term provisions	21	1,140.2	1,182.5	1,154.3
Long-term financial liabilities	22	573.7	229.3	225.1
Other long-term liabilities	23	178.7	168.0	208.2
<b>Total long-term liabilities</b>		<b>2,483.8</b>	<b>2,163.2</b>	<b>2,145.7</b>
Other short-term liabilities	24	425.2	369.0	397.7
Derivatives	26	92.2	163.2	69.7
Short-term provisions	21	48.7	31.1	34.9
Short-term financial liabilities	22	0.0	0.0	0.8
Liabilities from income taxes		64.7	11.9	31.0
Deferred income and accrued expenses	19	160.1	181.1	83.6
<b>Total short-term liabilities</b>		<b>790.9</b>	<b>756.3</b>	<b>617.7</b>
<b>Total liabilities</b>		<b>3,274.7</b>	<b>2,919.5</b>	<b>2,763.4</b>
<b>Total liabilities and shareholders' equity</b>		<b>6,519.0</b>	<b>5,989.3</b>	<b>5,868.3</b>

# Consolidated Financial Statements of the BKW Group

## Changes in Consolidated Equity

	Share capital	Capital reserves	Accumulated profit	Currency translations	Revaluation reserve available-for-sale financial assets	Treasury shares	Attributable to BKW shareholders	Attributable to non-controlling interests	Total
CHF millions									
Equity at 31.12.2007	132.0	35.0	2,875.7	13.1	134.5	-110.2	3,080.1	24.8	3,104.9
Total comprehensive income			137.8	-46.5	-1.8		89.5	0.5	90.0
Dividend			-140.5				-140.5	-0.4	-140.9
Purchase/sale of treasury shares			2.8			13.8	16.6		16.6
Acquisition of non-controlling interests							0.0	-0.8	-0.8
Acquisition/foundation of Group companies							0.0	0.8	0.8
Change in consolidation method							0.0	-0.8	-0.8
<b>Equity at 31.12.2008</b>	<b>132.0</b>	<b>35.0</b>	<b>2,875.8</b>	<b>-33.4</b>	<b>132.7</b>	<b>-96.4</b>	<b>3,045.7</b>	<b>24.1</b>	<b>3,069.8</b>
Total comprehensive income			298.4	-10.1	-3.8		284.5	0.1	284.6
Dividend			-119.9				-119.9	-0.5	-120.4
Purchase/sale of treasury shares			-1.6			12.1	10.5		10.5
Acquisition of non-controlling interests							0.0	-0.5	-0.5
Acquisition/foundation of Group companies							0.0	0.3	0.3
<b>Equity at 31.12.2009</b>	<b>132.0</b>	<b>35.0</b>	<b>3,052.7</b>	<b>-43.5</b>	<b>128.9</b>	<b>-84.3</b>	<b>3,220.8</b>	<b>23.5</b>	<b>3,244.3</b>

# Consolidated Financial Statements of the BKW Group

## Consolidated Cash Flow Statement

CHF millions	Note	2009	2008
Profit before income taxes		385.1	171.6
Adjustment for:			
‣ Depreciation, amortisation and impairment	8	144.7	132.4
‣ Income from equity-valued companies	14	-1.7	-23.3
‣ Financial result	9	-26.5	190.6
‣ Gains/losses from sale of non-current assets		-1.5	-16.6
‣ Change in long-term provisions (excl. interest)		-17.7	-33.8
‣ Change in assigned rights of use		-8.7	-9.0
‣ Other non-cash positions		-26.9	10.9
Other financial items paid		-2.8	-3.0
<b>Cash flow before change in net current assets and payment of income taxes</b>		<b>444.0</b>	<b>419.8</b>
Change in net current assets (excl. financial assets/liabilities)		178.3	-123.8
Income taxes paid		-19.6	-53.5
<b>Cash flow from operating activities</b>		<b>602.7</b>	<b>242.5</b>
Purchase of property, plant and equipment	13	-289.7	-270.3
Proceeds from sale of property, plant and equipment		8.5	27.4
Acquisition of non-controlling shares		-0.9	-1.5
Foundation/increase in capital of Group companies (non-controlling interest)		0.0	0.8
Acquisition of Group companies	30	-10.0	-0.1
Disposal of Group companies		0.0	-0.7
Investments in equity-valued companies	14	-247.1	-156.8
Disposals of equity-valued companies		0.1	0.2
Investments in current and non-current financial assets		-163.1	-261.4
Disposals of current and non-current financial assets		84.0	76.2
Purchase of intangible assets	16	-36.3	-19.9
Disposals of intangible assets	16	5.1	0.0
Interest received		23.8	23.0
Dividends received		29.5	20.2
<b>Cash flow from investing activities</b>		<b>-596.1</b>	<b>-562.9</b>
Purchase/sale of treasury shares	20	5.2	6.8
Increase in long-term financial liabilities		343.7	4.0
Increase in other long-term liabilities		21.9	18.2
Decrease in other long-term liabilities		-2.9	-0.7
Decrease in short-term financial liabilities		-0.6	-0.8
Interest paid		-7.2	-7.9
Dividends paid		-120.4	-140.9
<b>Cash flow from financing activities</b>		<b>239.7</b>	<b>-121.3</b>
Translation adjustments on cash and cash equivalents		-2.5	-14.2
<b>Net change in cash and cash equivalents</b>		<b>243.8</b>	<b>-455.9</b>
<b>Cash and cash equivalents at start of reporting period</b>		<b>216.0</b>	<b>671.9</b>
<b>Cash and cash equivalents at end of reporting period</b>	30	<b>459.8</b>	<b>216.0</b>

# Consolidated Financial Statements of the BKW Group

## Notes to the Financial Statements

### 1 Description of business

BKW FMB Energy Ltd., Berne (CH) and its Group companies are a leading energy provider in Switzerland, and deliver a comprehensive range of products and services to residential and business customers. Energy is sold in neighbouring countries via the Group's own sales channels. BKW covers the entire value chain, from the production, transmission and distribution to the trading and sale of energy.

### 2 Accounting principles

#### 2.1 General principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They provide a true and fair view of the financial position, the results of operations and the cash flows of BKW. The financial statements also comply with Swiss company law. The closing date for the Group financial statements and those of its fully consolidated companies is 31 December. The statements are quoted in Swiss francs (CHF).

The consolidated financial statements were prepared on the basis of historical acquisition costs. Exceptions are described in the Note 4 "Principles of accounting and valuation".

#### 2.2 Adoption of new standards and interpretations

All standards and interpretations in force on the balance sheet date were applied in preparing the consolidated financial statements.

In the 2009 financial year BKW was required to adopt the following new or revised standards and interpretations:

- › IAS 1 Presentation of Financial Statements
- › IAS 23 Borrowing Costs
- › IFRS 8 Operating Segments
- › Improvements to International Financial Reporting Standards
- › Amendment to IAS 32 and IAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation
- › Amendment to IFRS 2: Vesting Conditions and Cancellations
- › Amendments to IFRS 1 and IAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- › Embedded Derivatives – Amendments to IFRIC 9 and IAS 39
- › Improving Disclosures about Financial Instruments – Amendments to IFRS 7 Financial Instruments: Disclosures

- › IFRIC 13 Customer Loyalty Programmes
- › IFRIC 15 Agreements for the Construction of Real Estate
- › IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- › IFRIC 18 Transfers of Assets from Customers

These changes have had no significant effect on the presentation of the financial position, the results of operations and the cash flows of BKW. However, the following changes resulted in additional disclosures in the consolidated financial statements:

- › IAS 1 Presentation of Financial Statements contains the principles governing the presentation of financial statements. The main changes in IAS 1 concern the requirement to disclose changes in equity other than those arising from transactions with shareholders (non-owner changes in equity) either as a separate component of the income statement or in a separate "Statement of Comprehensive Income". Up to now, details of such changes in equity were disclosed under "Changes in Consolidated Equity". BKW has opted to present them in a separate "Statement of Comprehensive Income".
- › IFRS 8 Operating Segments governs the disclosure of segment reporting and thus replaces the existing applicable standard IAS 14. IFRS 8 requires segments and segment results to be defined on the basis of management approaches, i.e. based on the organisational structure and internal reporting. Accordingly, BKW now provides segment reporting by division. Information on the segments is provided in Note 5. IFRS 8 is applied retroactively and the prior-year information is presented accordingly.
- › The Amendment to IAS 1 Presentation of Financial Statements: Current/Non-Current Classification of Derivatives – part of the Improvements to International Financial Reporting Standards – is relevant for BKW. This amendment states that not all financial assets and liabilities which are classified as "held for trading" are regarded as current assets. As a result of this amendment, BKW now classifies derivatives as current or non-current on the basis of their settlement date. These amendments were applied retroactively and the prior-year figures were adjusted accordingly. Due to this amendment, two prior-year statements are presented in accordance with the new provisions of IAS 1.

- › Improving Disclosures about Financial Instruments – Amendments to IFRS 7 Financial Instruments: Disclosures results in additional disclosures in this financial report. In particular, the standard requires fair value disclosures. Financial instruments measured at fair value must now be divided into three classes based on the method used to determine the fair value. The additional information is disclosed in Note 32.

### **2.3 New standards and interpretations published but not yet applied**

Various amendments as well as new standards and interpretations which had been published by the balance sheet date will not be applied until subsequent financial years. BKW intends to apply the changes from the date on which they come into force (entry into force for financial years beginning on or after the dates in brackets):

- › IAS 27 Consolidated and Separate Financial Statements (1 July 2009)
- › IFRS 3 Business Combinations (1 July 2009)
- › IFRS 1 First-time Adoption of International Financial Reporting Standards (1 July 2009)
- › IAS 24 Related Party Disclosures (1 January 2011)
- › IFRS 9 Financial Instruments (1 January 2013)
- › Improvements to International Financial Reporting Standards (1 January 2010)
- › Eligible Hedged Items Amendment to IAS 39 Financial Instruments: Recognition and Measurement (1 July 2009)
- › Group Cash-settled Share-based Payment Transactions – Amendment to IFRS 2 (1 January 2010)
- › Amendments to IFRS 1 – Additional Exemptions for First-time Adopters (1 January 2010)
- › Classification of Rights Issues – Amendment to IAS 32 (1 February 2010)
- › Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (1 January 2011)
- › Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopters – Amendment to IFRS 1 (1 July 2010)
- › IFRIC 17 Distribution of Non-Cash Assets to Owners (1 July 2009)
- › IFRIC 19 Extinguishing Financial Liabilities with Equity Instrument (1 July 2010)

BKW is currently examining the possible effects of applying these new or changed standards and interpretations. As things stand at present, these changes – due to their retroactive adoption – are not expected to have a significant impact on the financial position, results of operations and cash flows of the BKW Group published for the year ended 31 December 2009.

The following changes will result in additional disclosures in financial statements or changes in future accounting and valuation principles:

- › IFRS 3 Business Combinations. This standard governs the method of accounting for and measuring business combinations. A revised standard was issued by the IASB in January 2008. The main changes relate to the recognition of transaction costs and the treatment of contingent considerations. In addition, it introduces a right to select the method of measuring non-controlling interests. The revised standard comes into force for financial years beginning on or after 1 July 2009, and will be applied accordingly after its introduction.
- › IAS 27 Consolidated and Separate Financial Statements. This standard governs the preparation and presentation of consolidated financial statements. The main changes concern the presentation of changes in investments in Group companies which do not result in a loss of control. These are now reported as equity transactions. Other changes relate to accounting for loss of control of Group companies. The changes come into force for financial years beginning on or after 1 July 2009 and will be applied accordingly.
- › IFRS 9 Financial Instruments is part of the project to develop a successor standard to IAS 39. The changes published in 2009 concern the classification and measurement of financial assets. The four measurement categories have been reduced to two categories: amortised cost and fair value. The changes come into force for financial years beginning on or after 1 January 2013.

### 3 Consolidation principles

#### 3.1 Scope of consolidation

The following main changes were made to BKW scope of consolidation in 2009:

- › In Italy, 100% of the shares in the project company Volturino Wind S.r.l. were acquired. The company is planning to build a wind farm with 14 wind turbines and a capacity of more than 25 MW in the Apulia region. The facility is scheduled to go into operation in 2011. The acquisition of Volturino Wind S.r.l. does not qualify as a business combination under IFRS 3.
- › EnBW Energie Baden-Württemberg AG of Germany acquired 75.1% of the shares in the project company STKW Energie Dörpen GmbH & Co. KG, which is aiming to develop a coal-fired power plant in Dörpen/Emsland (Lower Saxony). BKW retains a 24.9% share in the project company. Formerly fully consolidated, the company has been reclassified as an associated company and the holding is measured at equity.

#### 3.2 Consolidation method

The financial statements are based on the closing statements of the individual Group companies drawn up according to Group-wide principles of valuation and presentation. Group companies are included in the consolidated financial statements in their entirety. Assets and liabilities as well as expenses and income are included in their entirety. Non-controlling interests in shareholders' equity and in net income of the relevant Group companies are disclosed separately in the balance sheet and income statement. Intercompany income and expenditure as well as intercompany assets and liabilities are eliminated on consolidation. Profits from intercompany transactions and balances not yet realised from sales to third parties are eliminated.

#### 3.3 Investments in associated companies and joint ventures

Investments in companies in which BKW is able to exercise significant influence but not overall control (generally ownership between 20% and 50%) are classified as associated companies and accounted for using the equity method.

Companies which are jointly managed on the basis of contractual agreements between the shareholders (usually partner plants) are treated as joint ventures. Joint ventures are included in the consolidation using the equity method, irrespective of the size of the holding.

BKW's share of assets and liabilities as well as expenses and income of associated companies and joint ventures is disclosed in Note 14. The closing date for some partner plants differs from that of BKW since these companies close their accounts on 30 September in line with the hydrological year.

#### 3.4 Acquisition and sale of Group companies

Companies acquired by BKW during the year are consolidated as from the effective date of acquisition. Purchased net assets (including intangible assets) are measured at fair value and integrated using the purchase method. Differences between the higher purchase price and the fair value of net assets are classified as goodwill from acquisitions. Goodwill in respect of acquisitions is subjected to annual impairment tests or ad hoc testing whenever impairment is indicated. Any negative difference is immediately recognised in income.

Companies disposed of during the year are excluded after the date of sale. Differences between the selling price and the net assets disposed of are recorded in income on the effective date. Goodwill recorded in the balance sheet as well as accumulated foreign currency translation differences and value fluctuations for financial instruments charged to equity are derecognised in income as a component of the gain or loss on sale.

#### 3.5 Foreign currency translations

The reporting currency is Swiss francs (CHF). BKW records transactions in foreign currencies at the prevailing exchange rates on the date of transaction. Exchange rate gains and losses arising from such transactions as well as the translation of foreign currency balances on the balance sheet date are charged to the financial result. Foreign-currency financial statements of Group companies outside Switzerland are converted to Swiss francs according to the following principles:

- › Balance sheet, at the prevailing exchange rate on 31 December.

- › Income statement, at average exchange rates for the reporting year.
  - › Cash flow, at average exchange rates for the reporting year.
- Goodwill and adjustments made to the carrying amounts of identified net assets in the course of the purchase price apportionment are carried in the foreign currency and converted to the reporting currency on the balance sheet date without affecting income.

Differences arising from the translation of the financial statements of Group companies, associated companies and joint ventures quoted in foreign currencies, are accounted for in the statement of comprehensive income.

## 4 Principles of accounting and valuation

### 4.1 Presentation of sales

Sales of energy in the sales business are considered as realised and are recorded as sales when delivery is complete.

Energy trading revenue is presented according to the underlying transaction motive. Energy transactions are conducted either for the purpose of actively managing the power plant base or for physical coverage of energy supply or purchase contracts, and the gross revenue from these transactions is recorded as sales (“Electricity Trading” or “Gas Business”) at the time of delivery.

Other energy transactions are conducted with the sole intention of achieving a trading margin. These transactions come under the IAS 39 definition of financial instruments and are measured at the fair value on the closing date, with realised as well as unrealised gains and losses from these transactions recorded net under “Income from Energy Derivative Trading”. Income from energy trading transactions concluded to achieve a trading margin consists of two components: effective realised gains or losses from transactions in progress, and unrealised capital gains and losses from valuation of the fair value of open contracts.

### 4.2 Financial instruments (general)

Financial instruments constitute all contractual agreements that give rise to financial assets for BKW and financial liabilities for a counterparty, and vice versa. In accordance with IAS 39, financial assets and liabilities are categorised as follows:

- › Financial assets or financial liabilities at fair value through profit or loss (financial instruments held for trading and derivatives).
- › Held-to-maturity investments (non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has the positive intention and ability to hold to maturity).
- › Loans and receivables.
- › Available-for-sale financial assets (non-derivative financial assets that cannot be classified under any other category).
- › Financial liabilities at amortised cost.

Financial assets are recorded and derecognised on the trade date. Financial assets and liabilities are subjected to a standard valuation procedure according to category. They are initially recognised at fair value. Transaction costs for financial instruments not categorised as “at fair value through profit or loss” are assigned to the acquisition or issuance of the financial instrument. For subsequent valuation, financial instruments categorised as “at fair value through profit or loss” are recorded in the balance sheet at fair value, and the related gains or losses are recorded in the income statement. Available-for-sale financial assets are also measured at fair value but the gains or losses are recorded in the statement of comprehensive income, unless they qualify as an impairment or the financial instrument is sold. In the event of impairment, disposal or other derecognition, the amount recorded in the statement of comprehensive income is transferred to the income statement. Held-to-maturity investments as well as loans granted by and receivables due to BKW are carried at amortised cost using the effective interest method less impairments.

Impairment is recognised if there are objective indications that the value of an asset is at risk. Assets carried at amortised costs are considered to be impaired if the carrying amount is higher than present value of estimated future cash flows. Available-for-sale assets are considered to be impaired if the fair value is lower than the acquisition value. Equity instruments are considered to be impaired only if the decline in value is significant or prolonged.

The fair value for a stock-exchange-quoted share for which the market is assumed to be active is determined based on the published market price. The fair value of other financial instruments is determined using the discounted cash flow method or other recognised measurement methods. Financial assets are derecognised when the rights are realised or have expired, or when BKW hands over control. Financial liabilities are derecognised only when they are discharged.

As yet, BKW has not made use of the “Fair Value Option” described in IAS 39.

## 4.3 Derivatives

### 4.3.1 Energy derivatives

BKW trades in contracts in the form of forwards with fixed and flexible profiles, and futures for the underlying energy, gas and certificates. Contracts concluded with the sole intention of achieving a trading margin are treated as financial instruments and designated as energy derivatives. Transactions open on the balance sheet date are measured at fair value. BKW receivables in respect of counterparties are recorded under assets as positive replacement values, while liabilities are recorded under liabilities as negative replacement values. Ongoing transactions with positive or negative replacement values are netted if the respective contract terms provide for this and settlement is legally enforceable and intended. Realised and unrealised gains and losses from energy derivatives are recorded as income from energy derivatives trading. A table listing replacement values and contract volume, i.e. the basis or nominal value of the transactions, is provided in Note 26.

### 4.3.2 Interest and currency hedging

To hedge against interest rate and currency fluctuations, derivative financial instruments are used in compliance with existing hedging and credit risk policy guidelines. They are measured at fair value. Realised and unrealised changes in the value of financial instruments that serve to hedge against exchange rate and interest rate risks related to ongoing business activities are charged to income as financial income/expenses.

## 4.4 Property, plant and equipment

Property, plant and equipment are recorded at acquisition or manufacturing cost less accumulated depreciation and impairment losses recognised. Depreciation is calculated using the straight-line method and systematically based on the useful lives of the objects. The useful lives and indications of impairment are annually reviewed. Impairments in respect of property, plant and equipment are determined according to the principles set forth in Note 4.12. Property, plant and equipment dependent on concessions, which are revertible without compensation, are written down at most over the expected term of the concession.

Present values of estimated decommissioning and disposal costs are charged to the balance sheet together with acquisition or manufacturing costs (see also Note 4.14). Fuel elements produced specifically for the nuclear power plant are charged to the balance sheet under property, plant and equipment and written down on the basis of wear and tear (burn-off).

For long-term investment projects the borrowing interest is charged to the balance sheet during the set-up phase. Land is valued at acquisition cost. Depreciation is recorded only in the event of impairment.

The costs of repairs and maintenance with no added value are charged to the income statement as incurred. They are carried as assets only if the costs extend the original useful life or give rise to other significant economic benefits (cost reduction, increase in earnings). Costs incurred due to legal requirements that generate no direct future benefit are capitalised only if and when this enables other assets to generate benefits.

Estimated useful lives of property, plant and equipment:

Buildings	50 years
Power plants	40 to 80 years
Transmission and distribution systems	20 to 50 years
IT systems	10 to 30 years
Operating facilities and vehicles	3 to 20 years
Fuel elements	After burn-off

#### 4.5 Intangible assets

Intangible assets cover rights of use and contractual or legal rights acquired as a result of acquisitions, as well as software, goodwill and certificates.

Rights of use are contractually agreed amounts to compensate a contractual partner for the use of its operating installations as well as licences for the construction and operation of the Company's own installations. Rights of use and intangible assets obtained as a result of an acquisition are written down over the period of use, or at most the contract period, using the straight-line method.

Goodwill is not written down but assigned to the relevant cash-generating unit and subjected to annual impairment tests or ad hoc tests whenever impairment is indicated. For the treatment of certificates, see Note 4.6.

#### 4.6 Emission rights

For emission rights held under national or international emissions allowance schemes for the purpose of compliance with carbon emission allowances, the net liability method is used. Assigned or purchased emission rights are recognised as intangible assets at the nominal value of the consideration. A provision is recognised as soon as the carbon output exceeds the emission allowances originally allocated and still held. A defined useful life is assumed for emission rights. However, there is no distortion of value as long as the certificates are held, hence they are not amortised on a systematic basis. The value of the certificates is realised when they are sold or returned to the authorities as compensation for emissions. Emission rights are tested for impairment if there are indications of impairment.

For transactions in emission rights conducted with the sole intention of achieving a trading margin, BKW applies the brokerage exemption rule defined by IAS 2, under which emission rights can be recognised at fair value through profit or loss, less costs to sell. Changes in value on the balance sheet date as well as realised purchases and sales are recorded in the income statement. Transactions in derivatives on emission rights which are conducted with the intention of achieving a trading margin are treated in the same way as energy trading derivatives (see Note 4.3.1).

Green certificates which certify the generation of electricity from renewable energies are treated in the same way as emission rights.

#### 4.7 Financial assets

Financial assets cover holdings, securities, loans and term deposits. Also included under financial assets are receivables from state funds and pension surpluses which do not come under the scope of IAS 32, IAS 39 and IFRS 7.

Stock-exchange-listed securities which constitute part of a portfolio of financial instruments, jointly managed and regularly purchased and sold, are categorised as “assets at fair value through profit or loss” and recorded under current assets. Other holdings and securities are categorised as “available for sale” and assigned to non-current assets.

Term deposits and loans are valued at amortised cost.

Nuclear power plant operators are required by law to make annual payments to state funds (federal decommissioning and disposal funds). Future costs for disposal and decommissioning are paid to the operators by these state funds according to the statutory requirements. These payments are regarded as reimbursements under the terms of IFRIC 5 and are charged to income as receivables from state funds. The receivables are measured at the lower of the obligation (see Note 4.14) and the fair value of the proportional net assets of the fund. Changes in fund valuations are recorded in the financial result for the period in question.

The pension surplus is valued on the basis of IAS 19 (see Note 4.17).

#### **4.8 Trade accounts receivable/payable, and prepaid/accrued expenses and deferred/accrued income**

Accounts receivable are stated at nominal value minus any adjustment in value required due to assessments of individual receivables, non-performance of contractual receivables and debtor payment behaviour. Accounts receivable are derecognised only if there is sufficient indication that payment can no longer be expected. Trade accounts payable are not subject to interest and are recorded at nominal value. Prepaid/accrued expenses and deferred/accrued income cover the periodical adjustment of expenses and income and are also recorded at nominal value and broken down into financial and other accruals. Financial accruals consist of goods and services provided or purchased on a contractual basis but not billed by the balance sheet date.

#### **4.9 Inventories**

Inventories include materials held in stock for network construction and the electrical installation business. These are recorded at the lower of acquisition/manufacturing cost or net realisable value. The acquisition/manufacturing cost of raw and auxiliary materials is measured at the weighted moving average. Semi-finished and finished products include the directly assignable cost and share of overall construction costs. Impairments on materials held in stock are calculated based on a markdown for changes in market demand. Interest on borrowed capital is not capitalised. Inventories also include certificates which are purchased with the intention of achieving a trading margin. These certificates are measured at fair value (see Note 4.6).

#### **4.10 Work in progress**

Production contracts are valued according to the Percentage of Completion (POC) method. The stage of completion is determined on the basis of individual progress reports or cost estimates. Progress is expressed as the proportion that contract costs incurred for work performed to date bears to the estimated total contract costs. The associated income is recorded in the income statement as revenue. The income includes the original contract sum as well as variations in contract work, claims and incentive premiums, to the extent that it is probable they will result in revenue and can be reliably measured. Orders and order groups whose prorata income cannot be reliably estimated are capitalised at cost. Anticipated losses are immediately recorded in their entirety. After taking into account customer progress billings and advance payments, work in progress is stated under accounts receivable as net assets from production contracts or under other short-term liabilities as customer payments.

#### **4.11 Cash and cash equivalents**

Cash is stated at fair value and covers cash on hand, bank account balances and cash invested with financial institutes for a maximum period of three months. This definition of cash also applies to the cash flow statement.

#### 4.12 Impairment of property, plant and equipment and intangible assets

On each balance sheet date, assets are tested for impairment or reversal of impairment. If indications of impairment or reversal of impairment are identified, the recoverable amount of the asset is measured. The recoverable amount of assets with an indefinite useful life is measured irrespective of whether there is any indication of impairment. Assets whose carrying value exceeds the recoverable amount are value-adjusted. The recoverable value is the higher of the net selling price and value in use (present value of estimated future cash flows), and is separately measured for each asset or, if this is not possible, for the cash-generating unit to which the asset belongs. If the amount estimated for an impairment loss is greater than the carrying value of the asset, a liability is recognised only if the requirements for a provision or other obligation are met. An impairment loss recognised in previous years for an asset other than goodwill is reversed if no impairment or only a reduced impairment exists. Impairment losses for assets subject to depreciation are reversed to the value which would have been determined had the acquisition value been depreciated on a systematic basis. The reverse booking is also charged to income.

Energy produced by partner plants is billed to shareholders on the basis of existing agreements – irrespective of current market prices – at actual cost. Overvaluation of partner companies' production plants is accounted for under onerous energy purchase contracts, due to the contractual obligation to pay energy production costs. Based on the obligation to pay actual costs, the recoverability of the holdings in partner plants measured at the proportional equity value is taken by shareholders as a given.

#### 4.13 Assigned rights of use

Assigned rights of use consist of third-party payments for transit rights to transmission systems, plant usage rights and contributions to grid costs (connection contributions), and are recorded under other long-term liabilities at the nominal value of the cash inflow less reversals to income. They are recognised in profit and loss on a straight-line basis over the useful life of the facility or the life of the relevant assigned right, whichever is lower.

#### 4.14 Provisions

Provisions cover all obligations on the balance sheet date arising from past transactions and events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the amount of which is not known but can be reliably measured. If an outflow of resources is no longer probable or determinable, a provision is charged to contingent liabilities. If the effect of the time value of the cash outflow is material, the amount of the provision is measured at the present value of the expected cash outflow.

As the operator of Mühleberg nuclear power plant, BKW is required by law to decommission the plant after the operating phase and to dispose of the nuclear waste. The resultant costs are regularly reviewed, and the present value of estimated decommissioning and disposal costs is provisioned and adjusted annually subject to interest. The same amount is carried together with the acquisition/manufacturing costs of the plant and written down over the useful life using the straight-line method. The costs incurred related to commissioning were recorded under assets and liabilities on the date on which the plant went into operation. In addition, the related decommissioning and disposal costs are capitalised annually over the operating period using the straight-line method, and written down over the average useful life of the fuel elements. The provision is calculated based on the following assumptions:

- › Operating period of 50 years
- › Average inflation rate of 3%
- › Average interest rate of 5%

#### 4.15 Income taxes

Income taxes include current and deferred taxes based on profit. Deferred income taxes are determined based on local tax regulations. Deferred taxes account for the income tax effects between internal and local tax evaluation guidelines for assets and liabilities according to the liability method, and are based on the actual tax rates or the tax rates expected to apply when this difference is adjusted.

Deferred tax liabilities are always recognised in the balance sheet. Deferred tax assets are recognised only if it appears probable that these deferred tax assets will be of benefit on the basis of future anticipated gains.

Changes in deferred taxes are recorded in the income statement except when the origin of temporary differences is recognised as not affecting income. In this case deferred taxes are also recorded in the statement of comprehensive income.

#### 4.16 Leasing

BKW has no finance leasing arrangements at present. Operating lease arrangements on the balance sheet date consist primarily of long-term rental contracts for operating properties and vehicle leasing agreements. Operating leases are not recorded in the balance sheet. The leasing payments are recorded in the current financial year as operating expenses.

#### 4.17 Pension plan

BKW operates various pension plans in accordance with legal requirements. The majority of employees are covered by the Pensionskasse BKW, a legally autonomous defined benefit scheme compliant with the terms of IAS 19.

The costs and obligations arising from defined benefit schemes are determined on an actuarial basis using the projected unit credit method, which reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Until this obligation or surplus is recalculated, current service costs are charged on the basis of selected parameters. A pension surplus is capitalised if overfunding of a pension plan generates an economic benefit in accordance with IAS 19. In this case the economic benefit from future reductions in contributions is measured in accordance with the guidelines in IFRIC 14. Annual service costs related to employment during the reporting period are charged to income. Actuarial gains and losses arising from periodic recalculations are charged to income on a straight-line basis over the average remaining period of service, provided they exceed the greater of 10% of plan assets and 10% of the defined benefit obligation.

Contributions payable towards defined contribution schemes are periodically recorded and recognised in the income statement.

#### 4.18 Share-based payment

BKW employees have the opportunity to purchase BKW FMB Energy Ltd. share capital on preferential terms. Until further notice, full-time employees of BKW are offered a defined number of BKW registered shares every year at a fixed preferential price, subject to a blocking period. Allocation of shares to employees is not subject to any other conditions, hence there is no vesting period and the compensation is recorded on the grant date, with fair value measured on the basis of the share price. The difference between the fair value and the preferential price paid by employees is recorded under personnel expenses on the date on which the shares were granted. The issued shares are deducted from the number of treasury shares.

#### 4.19 Segment reporting

Segments and segment results are defined on the basis of the management approach. Reportable segments under the terms of IFRS 8 are based on the internal organisational and reporting structure. Since 1 April 2008, BKW has been organised into business divisions which have operational responsibility for results and manage a defined part of BKW's activities autonomously. Operating income (EBIT) is used by the senior decision-making body, the Executive Board, as a basis for resource allocation and performance measurement.

Segment figures are obtained in accordance with the same accounting and valuation principles as are applied for the Group-level presentation of consolidated figures. The prices for intercompany transactions (transfer prices) are based on the market price on the transaction date.

#### 4.20 Measurement uncertainties

Preparation of the financial statements in accordance with the applicable accounting standards necessitates the use of estimates and assumptions that affect the reported amounts of assets, provisions, liabilities and contingent liabilities on the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on past findings and best possible assessment of future developments. Actual results may differ from these estimates. Estimates and assumptions are regularly reviewed, and changes are charged to income in the period in which they were identified.

#### 4.20.1 Goodwill

Goodwill acquired as a result of a business combination is subjected to impairment tests on an annual basis or more frequently if events or a change in circumstances indicate the possibility of impairment. The recoverable amount estimated as a result of an impairment test is assigned to one or more cash-generating units.

The recoverable amount of a cash-generating unit is the higher of the fair value minus selling costs and value in use. In determining the value in use, various assumptions are made with regard to medium- and long-term developments, for example estimated revenue streams or growth rates. The applicable discount rate is based on the average weighted capital costs of BKW, taking into account appropriate adjustments for the specific risk profile of the cash-generating unit.

#### 4.20.2 Provisions

Measurement of the provision for nuclear waste disposal is essential for assessment of the balance sheet and income statement of BKW. The industry calculates shared, detailed costs for decommissioning and the disposal of nuclear waste. These cost calculations are reviewed by the Swiss federal government. The cost calculations were last updated in 2006. Since Mühleberg nuclear power plant was granted an open-ended operating licence in December 2009, BKW has applied an assumed operating period of 50 years for the facilities, in line with the industry cost estimation parameters. The estimates of BKW are applied for plant-specific obligations. Errors in cost calculations as well as changes in legal provisions governing decommissioning and nuclear waste disposal can affect the Group's financial position, the results of operations and cash flows.

The provision for onerous energy purchase contracts covers the losses expected from the obligation to pay energy production costs in respect of partner plants. A sustained change in realisable energy prices would have had a significant impact on the amount of the provision.

#### 4.20.3 Pension plan

Pension obligations arising from defined benefit pension plans are calculated based on actuarial assumptions which may not reflect reality and hence may have an impact on the Group's financial position, the results of operations and cash flows.

#### 4.20.4 Revenue recognition

Energy sales in the sales business are partly calculated and billed, particularly in the case of residential customers, only on a half-yearly basis at the end of March and end of September based on meter readings. Energy sales unbilled at the balance sheet date on 31 December are therefore accrued. The accrual is calculated based on a simulation which takes into account the historic consumption of customers as well as current product prices, where the total sum of volumes delivered can be estimated relatively accurately on the basis of known feed-in and feed-out volumes. The accrual calculated in this way may deviate from the actual values determined from meter readings and billing.



## 5 Segment reporting

Reportable segments are based on the internal organisational and reporting structure. BKW is organised into business divisions. Business divisions are defined as economic units which have responsibility for operating results and manage a defined part of BKW's activities autonomously. BKW operates the following three reportable business segments:

- › Energy Switzerland is responsible for energy production in the Group's own power plants as well as partner plants in Switzerland, and sales of energy to end customers and sales partners in Switzerland.
- › Energy International and Trading is responsible for energy production in the Group's own power plants and in partner plants, sales of energy in Italy and Germany, as well as trading in electricity, gas and certificates in Switzerland and abroad.
- › The Networks segment builds, operates and maintains the Group's own transmission and distribution systems and is responsible for setting up and servicing electrical installations, electricity and telecommunications networks as well as traffic infrastructure facilities on behalf of third parties.

No operating divisions were combined to create the reportable business segments. The results of the business divisions are separately monitored by the Executive Board in order to make decisions on resource allocation and to assess the earning power of the units. Operating profit (EBIT) is used for internal steering and to assess sustainable earning power.

"Other" covers activities which are centrally managed within the Group; these largely consist of the decommissioning and disposal funds, Group financing, real estate, financial assets and tax.

	Energy Switzerland	Energy International and Trading	Networks	Other	Consolidation	Total
2009 CHF millions						
Electricity sales Switzerland	746.1					746.1
Distribution grid usage fees	356.9		10.1			367.0
Electricity sales international		591.1				591.1
Electricity trading		1,456.9				1,456.9
Income from energy derivatives trading		24.5				24.5
Other energy business	12.3	91.4	57.8			161.5
Gas business	2.9	32.7				35.6
Construction/engineering services and electrical installation business	0.6		109.2			109.8
Changes in work in progress	-1.4		-2.6			-4.0
<b>Net sales to external customers</b>	<b>1,117.4</b>	<b>2,196.6</b>	<b>174.5</b>	<b>0.0</b>	<b>0.0</b>	<b>3,488.5</b>
Net sales to other segments	882.2	887.5	418.6	46.9	-2,235.2	0.0
Own work capitalised	3.5	0.1	35.8	0.3	3.1	42.8
Other operating income	51.1	10.1	18.6	116.4	-134.9	61.3
<b>Total operating revenue</b>	<b>2,054.2</b>	<b>3,094.3</b>	<b>647.5</b>	<b>163.6</b>	<b>-2,367.0</b>	<b>3,592.6</b>
Electricity procurement, third parties	-48.1	-1,680.3				-1,728.4
Electricity procurement, partner plants and associates	-305.7	-89.2				-394.9
Other expenses for electricity procurement	-10.7	-103.9	-56.4			-171.0
Gas procurement	-2.6	-32.2				-34.8
<b>Energy procurement from third parties, partner plants and associates</b>	<b>-367.1</b>	<b>-1,905.6</b>	<b>-56.4</b>	<b>0.0</b>	<b>0.0</b>	<b>-2,329.1</b>
Energy procurement from other segments	-1,260.5	-868.1	-20.4		2,149.0	0.0
Operating expenses excluding energy procurement	-340.0	-112.3	-396.7	-130.4	217.5	-761.9
<b>Operating expenses</b>	<b>-1,967.6</b>	<b>-2,886.0</b>	<b>-473.5</b>	<b>-130.4</b>	<b>2,366.5</b>	<b>-3,091.0</b>
<b>Operating profit before depreciation, amortisation and impairment</b>	<b>86.6</b>	<b>208.3</b>	<b>174.0</b>	<b>33.2</b>	<b>-0.5</b>	<b>501.6</b>
Depreciation, amortisation and impairment	-12.4	-48.9	-71.6	-11.9	0.1	-144.7
<b>Operating profit</b>	<b>74.2</b>	<b>159.4</b>	<b>102.4</b>	<b>21.3</b>	<b>-0.4</b>	<b>356.9</b>
Financial result						26.5
Income from equity-valued companies						1.7
<b>Profit before income taxes</b>						<b>385.1</b>
Additions property, plant and equipment, intangible assets and state funds	104.0	54.8	140.4	33.7	-0.5	332.4
Additions equity-valued companies	4.3	242.8				247.1
Investments in equity-valued companies at 31.12.2009	469.2	566.3	5.2			1,040.7
Total assets at 31.12.2009	2,560.5	1,601.9	1,572.2	4,731.8	-3,947.4	6,519.0

	Energy Switzerland	Energy International and Trading	Networks	Other	Consolidation	Total
2008 CHF millions						
Electricity sales Switzerland	882.2		1.3			883.5
Distribution grid usage fees	110.7		13.5			124.2
Electricity sales international		667.4				667.4
Electricity trading		1,350.2				1,350.2
Income from energy derivatives trading		23.2				23.2
Other energy business	7.4	133.9	40.9			182.2
Gas business	1.7	52.2				53.9
Construction/engineering services and electrical installation business	0.1		104.5			104.6
Changes in work in progress	1.1		1.2			2.3
<b>Net sales to external customers</b>	<b>1,003.2</b>	<b>2,226.9</b>	<b>161.4</b>	<b>0.0</b>	<b>0.0</b>	<b>3,391.5</b>
Net sales to other segments	560.7	585.2	435.1	27.6	-1,608.6	0.0
Own work capitalised	3.7	0	30.7	0.5	0.7	35.6
Other operating income	51.8	11.1	33.2	111.8	-138.8	69.1
<b>Total operating revenue</b>	<b>1,619.4</b>	<b>2,823.2</b>	<b>660.4</b>	<b>139.9</b>	<b>-1,746.7</b>	<b>3,496.2</b>
Electricity procurement, third parties	-64.2	-1,714.7				-1,778.9
Electricity procurement, partner plants and associates	-276.8	-63.1				-339.9
Other expenses for electricity procurement	-4.0	-146.6	-10.0			-160.6
Gas procurement	-1.5	-52.0				-53.5
<b>Energy procurement from third parties, partner plants and associates</b>	<b>-346.5</b>	<b>-1,976.4</b>	<b>-10.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-2,332.9</b>
Energy procurement from other segments	-880.3	-536.2	-18.4		1,434.9	0.0
Operating expenses excluding energy procurement	-290.8	-139.6	-416.7	-156.6	311.7	-692.0
<b>Operating expenses</b>	<b>-1,517.6</b>	<b>-2,652.2</b>	<b>-445.1</b>	<b>-156.6</b>	<b>1,746.6</b>	<b>-3,024.9</b>
<b>Operating profit before depreciation, amortisation and impairment</b>	<b>101.8</b>	<b>171.0</b>	<b>215.3</b>	<b>-16.7</b>	<b>-0.1</b>	<b>471.3</b>
Depreciation, amortisation and impairment	-39.6	-4.9	-79.3	-8.7	0.1	-132.4
<b>Operating profit</b>	<b>62.2</b>	<b>166.1</b>	<b>136.0</b>	<b>-25.4</b>	<b>0.0</b>	<b>338.9</b>
Financial result						-190.6
Income from equity-valued companies						23.3
<b>Profit before income taxes</b>						<b>171.6</b>
Additions property, plant and equipment, intangible assets and state funds	108.7	52.1	139.7	17.5	-0.1	317.9
Additions equity-valued companies	14.6	142.2				156.8
Investments in equity-valued companies at 31.12.2008	453.6	361.7	4.9			820.2
Total assets at 31.12.2008	2,594.6	1,411.5	1,505.8	4,034.3	-3,556.9	5,989.3

## Information by country

Net sales to external customers by country are broken down by the place of delivery for the respective product. Non-current assets cover property, plant and equipment, intangible assets and holdings in equity-valued companies in the respective countries.

	Switzerland		Germany		Italy		Other countries		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
CHF millions										
Net sales to external customers	1,550.5	1,485.9	1,098.0	954.1	712.6	582.0	127.4	369.5	3,488.5	3,391.5
Non-current assets	2,503.3	2,384.1	263.5	147.9	456.2	397.1	0.0	0.0	3,223.0	2,929.1

## Information on significant customers

There are no transactions with individual external customers which generate revenue accounting for 10% or more of net sales.

## 6 Personnel expenses

CHF millions		2009	2008
Salaries and wages		276.9	261.7
Social security contributions and other personnel expenses		67.8	60.5
Change in pension surplus		-28.6	0.0
<b>Total</b>		<b>316.1</b>	<b>322.2</b>
Number of employees on balance sheet date (full-time equivalent/FTE)		31.12.2009	31.12.2008
Employees		2,688	2,613
Apprentices/trainees		174	168
<b>Total</b>		<b>2,862</b>	<b>2,781</b>

Personnel expenses include income from the change in pension surplus in the amount of 28.6 million. This adjustment recognised in income is attributable to changes in the Pensionskasse BKW pension plan, which resulted in a reduction in the pension plan obligation. Plan changes are recognised immediately in the income statement in accordance with IAS 19.

**7 Other operating expenses**

CHF millions	2009	2008
Charges, levies and other taxes	69.9	56.7
Miscellaneous operating expenses	171.3	147.0
<b>Total</b>	<b>241.2</b>	<b>203.7</b>

**8 Depreciation, amortisation and impairment**

CHF millions	2009	2008
Property, plant and equipment	113.2	125.5
Intangible assets	31.5	6.9
<b>Total</b>	<b>144.7</b>	<b>132.4</b>

**9 Financial result**

CHF millions	2009	2008
Interest income	16.8	34.8
Dividends	5.7	5.4
Value adjustment on state funds	75.3	0.0
Gain on sale of financial assets	2.7	4.1
Value adjustment on securities held for trading	10.5	8.2
Other financial income	0.2	0.2
<b>Financial income</b>	<b>111.2</b>	<b>52.7</b>
Interest expenses	-13.0	-8.2
Capitalised borrowing costs	1.3	0.2
Interest on provisions	-59.2	-57.0
Value adjustment on state funds	0.0	-126.4
Loss from sales of financial assets	-1.7	-9.7
Value adjustment on securities held for trading	-1.4	-16.9
Other financial expenses	-8.3	-3.5
Currency translations	-2.4	-21.8
<b>Financial expenses</b>	<b>-84.7</b>	<b>-243.3</b>
<b>Total</b>	<b>26.5</b>	<b>-190.6</b>

**10 Income taxes**

CHF millions	2009	2008
Current income taxes	71.9	38.4
Deferred taxes	14.7	-5.5
<b>Total income taxes</b>	<b>86.6</b>	<b>32.9</b>
Reconciliation with reported income taxes CHF millions	2009	2008
Profit before income taxes	385.1	171.6
Tax expenses at anticipated rate of 20.0% (2008: 20.1%)	77.0	34.5
Valuation adjustment on deferred tax assets	0.2	0.0
Influence of participation reduction and non-taxable income	0.8	-1.8
Influence of non-tax-deductible expenses	6.9	0.9
Uncapitalised or partially capitalised tax losses	2.9	0.4
Taxes in respect of previous years	-0.6	0.1
Other items	-0.6	-1.2
<b>Total income taxes</b>	<b>86.6</b>	<b>32.9</b>
Effective tax rate	22.5%	19.2%
Changes in deferred tax assets/liabilities CHF millions	2009	2008
<b>Deferred tax assets/liabilities at 01.01.</b>	<b>511.9</b>	<b>519.1</b>
Changes in the scope of consolidation	0.2	0.0
Formation/release in the income statement	14.7	-5.5
Value adjustment to financial instruments in the statement of comprehensive income	-1.3	1.1
Currency translations	0.1	-2.8
<b>Deferred tax assets/liabilities at 31.12.</b>	<b>525.6</b>	<b>511.9</b>

Deferred tax assets/liabilities by origin of temporary differences CHF millions	31.12.2009	31.12.2008
Non-current assets	266.3	272.4
Current assets	24.3	69.2
Provisions and other long-term liabilities	237.2	212.5
Short-term liabilities	3.7	-38.8
Capitalised loss carry-forwards	-5.9	-3.4
<b>Total deferred tax assets/liabilities</b>	<b>525.6</b>	<b>511.9</b>
of which taxes disclosed in the balance sheet as:		
› Deferred tax liabilities	553.4	533.8
› Deferred tax assets	-27.8	-21.9
<b>Net deferred tax liabilities</b>	<b>525.6</b>	<b>511.9</b>

CHF 21.3 million of deferred tax assets is attributable to temporary differences in non-current assets (2008: CHF 18.5 million), and CHF 4.3 million to temporary differences in short-term liabilities (2008: none). The change in temporary differences resulted in a deferred tax expense of CHF 17.2 million (2008: CHF -2.1 million) recorded in the income statement.

The anticipated tax rate is determined annually as a weighted average (based on the pre-tax earnings of individual Group companies and the applicable local tax rate). In 2009 there was no significant year-on-year change in the anticipated tax rate.

Uncapitalised loss carry-forwards of CHF 3.5 million were recorded on the balance sheet at 31 December 2009 (2008: CHF 1.9 million) These were not capitalised since their charging against future taxable earnings is not regarded as probable within the permissible tax period. CHF 0.7 million of these loss carry-forwards falls due in 2012, CHF 0.2 million in 2014, CHF 1.3 million in 2015 and CHF 0.8 million in 2016; the remaining CHF 0.5 million remains valid indefinitely. The average applicable tax rate on tax loss carry-forwards will be 23.3%. Tax losses of foreign Group companies are capitalised only at tax rates which can be charged within tax groups on the basis of future anticipated gains.

On the balance sheet date there were no temporary differences on holdings with tax consequences, for which no deferred taxes were recognised since the reversal of the temporary difference can be controlled and is not probable in the foreseeable future.

## 11 Earnings per share

	2009	2008
Number of shares issued (at a par value of CHF 2.50)	52,800,000	52,800,000
Less treasury shares (weighted average)	-775,037	-859,437
<b>Number of shares in circulation (weighted average)</b>	<b>52,024,963</b>	<b>51,940,563</b>
Net profit attributable to BKW shareholders, in CHF millions	298.4	137.8
Earnings per share in CHF	5.74	2.65
Dividend per share in CHF	2.50	2.30

Undiluted earnings per share are calculated based on the weighted average share capital. There are no circumstances which lead to a dilution of earnings per share.

The dividend of CHF 2.50 per share for fiscal 2009 corresponds to the proposal by the Board of Directors to the General Shareholders' Meeting and must be approved by shareholders at this meeting. Based on the shares in circulation on the balance sheet date, the proposed dividend amounts to CHF 130.1 million.

## 12 Foreign currency exchange rates

The reporting currency is Swiss francs (CHF). The currency exchange rates applied to the consolidated financial statements were as follows:

	Closing date 31.12.2009	Closing date 31.12.2008	Average 2009	Average 2008
CHF/EUR	1.488	1.494	1.528	1.599

<b>13 Property, plant and equipment</b>	Power plants	Transmission and distribution plants	Buildings and land	Nuclear fuel	Other property, plant and equipment	Construction in progress	Total
CHF millions							
Gross values at 31.12.2007	1,481.1	2,316.1	198.8	631.7	286.6	155.3	5,069.6
Additions	29.9	8.7	2.4	24.7	4.5	205.7	275.9
Disposals	-11.9	-81.8	-0.3	-36.4	-4.3		-134.7
Reclassifications	18.9	86.8	3.2		20.5	-129.4	0.0
Currency translations	-14.1		-0.6		-0.5	-0.4	-15.6
<b>Gross values at 31.12.2008</b>	<b>1,503.9</b>	<b>2,329.8</b>	<b>203.5</b>	<b>620.0</b>	<b>306.8</b>	<b>231.2</b>	<b>5,195.2</b>
Changes in the scope of consolidation			-4.9		0.3	9.7	5.1
Additions	7.7	2.6	0.4	27.1	5.1	251.9	294.8
Disposals	-70.8	-8.4	-0.1	-79.1	-29.8		-188.2
Reclassifications	60.5	89.0	24.9		27.1	-201.5	0.0
Currency translations	-0.5		0.1			-0.8	-1.2
<b>Gross values at 31.12.2009</b>	<b>1,500.8</b>	<b>2,413.0</b>	<b>223.9</b>	<b>568.0</b>	<b>309.5</b>	<b>290.5</b>	<b>5,305.7</b>
Accumulated depreciation and impairments at 31.12.2007	1,140.0	1,239.5	83.3	567.2	181.9	0.0	3,211.9
Depreciation	22.6	61.7	4.2	18.0	19.0		125.5
Disposals		-35.4	-0.2	-36.4	-4.3		-76.3
Currency translations	-0.9				-0.2		-1.1
<b>Accumulated depreciation and impairments at 31.12.2008</b>	<b>1,161.7</b>	<b>1,265.8</b>	<b>87.3</b>	<b>548.8</b>	<b>196.4</b>	<b>0.0</b>	<b>3,260.0</b>
Changes in the scope of consolidation					0.1		0.1
Depreciation	33.1	56.7	4.9	18.1	21.7		134.5
Impairment	10.5					7.1	17.6
Disposals	-2.8	-6.3	-0.1	-53.4	-29.7		-92.3
Reversal of impairment	-20.0			-18.9			-38.9
Reclassifications	-0.7	0.5	0.2				0.0
Currency translations	-0.4						-0.4
<b>Accumulated depreciation and impairments at 31.12.2009</b>	<b>1,181.4</b>	<b>1,316.7</b>	<b>92.3</b>	<b>494.6</b>	<b>188.5</b>	<b>7.1</b>	<b>3,280.6</b>
<b>Net values at 31.12.2008</b>	<b>342.2</b>	<b>1,064.0</b>	<b>116.2</b>	<b>71.2</b>	<b>110.4</b>	<b>231.2</b>	<b>1,935.2</b>
<b>Net values at 31.12.2009</b>	<b>319.4</b>	<b>1,096.3</b>	<b>131.6</b>	<b>73.4</b>	<b>121.0</b>	<b>283.4</b>	<b>2,025.1</b>

The following changes in property, plant and equipment are related to the DETEC decision to grant an unlimited operating licence to Mühleberg nuclear power plant, and the changed assumptions of operating periods for the facilities from 40 to 50 years (see also Note 21):

- › The disposals in the acquisition cost of the power plant facilities and nuclear fuels of CHF 63.2 million and CHF 25.8 million respectively contain a reversal of the provision for nuclear waste disposal not recognised in income.
- › In the year under review impairments of CHF 38.9 million on nuclear power plant facilities and fuels were reversed and charged to income. This reversal concerned the Energy Switzerland segment.

Following a re-assessment of the market in Italy, current power plant projects were tested for impairment and the carrying amounts for construction in progress were reduced to the recoverable amounts. The recoverable amounts were determined on the basis of value in use, discounted at a WACC (after tax) of 6.6% for the purposes of calculation. Additional impairments were required due to damage to power plant facilities in Switzerland and Germany. The impairments concerned CHF 13.9 million for the Energy International and Trading segment and CHF 3.7 million for the Energy Switzerland segment.

Impairments and reversals were charged to income under "Depreciation, amortisation and impairment". Due to the longer useful life and reduced acquisition costs, future depreciation, amortisation and impairment is expected to be around CHF 15 million lower – compared to fiscal 2009 and based on the carrying amounts at 31 December 2009.

The fire insurance values at 31 December 2009 amounted to CHF 3,030.5 million (2008: CHF 3,007.5 million). Borrowing costs for investments of CHF 1.3 million (2008: CHF 0.2 million) were capitalised using an average interest rate of 3.3%. In the year under review, compensation of CHF 0.5 million (2008: CHF 2.1 million) for property, plant and equipment which was impaired, lost or decommissioned was charged to the income statement. Increases of CHF 5.1 million (2008: CHF 5.1 million) for fuel elements do not affect cash. This relates to the non-cash increase in respect of the nuclear waste disposal obligation.

#### 14 Investments in equity-valued companies

CHF millions	Joint ventures	Associated companies	Total
<b>At 31.12.2008</b>	<b>380.3</b>	<b>439.9</b>	<b>820.2</b>
Additions	1.1	246.0	247.1
Changes in the consolidation method	0.0	5.6	5.6
Disposals	-0.1	0.0	-0.1
Dividends	-13.1	-13.0	-26.1
Prorata income	19.7	-3.0	16.7
Impairment	-2.6	-12.4	-15.0
Currency translations	0.0	-7.7	-7.7
<b>At 31.12.2009</b>	<b>385.3</b>	<b>655.4</b>	<b>1,040.7</b>

Investments in associated companies include the acquisition of a 33% stake in Fortore Wind S.r.l., Lucera (I) amounting to CHF 117.1 million as well as capital investments in the 33% holding in GDF SUEZ Kraftwerk Wilhelmshaven GmbH & Co. KG, Berlin (D), in the amount of CHF 124.2 million to finance the power plant currently under construction. The change in the consolidation method concerns STKW Energie Dörpen GmbH & Co. KG, previously carried as a fully consolidated company, in which EnBW Energie Baden-Württemberg AG took over 75.1% of the shares.

Due to indications of impairment, individual investments in equity-valued companies were tested for impairment. The carrying amount was found to exceed the recoverable amount. The recoverable amount of the holdings corresponds to their value in use. The calculations were made based on the estimated cash flows of the companies, discounted at a WACC (after tax) of 6.6%. The value of these holdings in these equity-valued companies was reduced by CHF 15.0 million to the recoverable amount of CHF 5.5 million. The impairments were charged to income from equity-valued companies. The holdings are assigned to the Energy International and Trading segment.

Financial values of joint ventures CHF millions	Gross values 31.12.2009	Gross values 31.12.2008	Share 31.12.2009	Share 31.12.2008
Non-current assets	8,818.1	8,488.1	1,554.1	1,496.1
Current assets	628.8	696.3	127.6	119.5
Long-term liabilities	6,272.9	6,045.1	1,076.5	1,000.9
Short-term liabilities	1,210.3	1,239.2	219.9	234.4
Income	1,939.9	1,707.1	395.4	348.9
Expenses	1,814.9	1,767.0	378.3	344.7
Profit	125.0	-59.9	17.1	4.2

Joint ventures primarily consist of partner plants. Due to existing partner contracts, shareholders in partner plants are obliged to pay the annual costs due on their share (including interest and repayment of borrowed funds).

Financial values of associated companies CHF millions	Gross values 31.12.2009	Gross values 31.12.2008	Share 31.12.2009	Share 31.12.2008
Non-current assets	2,526.5	1,433.7	787.1	422.6
Current assets	848.3	783.0	190.6	229.8
Long-term liabilities	543.9	145.9	178.6	38.2
Short-term liabilities	727.4	629.4	143.7	174.3
Income	1,953.6	779.4	385.6	237.8
Expenses	1,993.6	713.5	401.0	218.7
Profit	-40.0	65.9	-15.4	19.1

<b>15 Financial assets</b>	Available-for-sale financial assets	Securities held for trading	Loans	Term deposits	Receivables from state funds	Pension surplus	<b>Total</b>
CHF millions							
At 31.12.2007	289.0	162.3	31.8	491.1	628.8	70.1	1,673.1
Additions	1.5	128.2	4.3	967.6	0.8		1,102.4
Disposals	-0.1	-81.2	-2.2	-840.9			-924.4
Currency translations			-0.5				-0.5
Value adjustment in the income statement		-8.5			-126.4		-134.9
Value adjustment in the statement of comprehensive income	-0.8						-0.8
<b>At 31.12.2008</b>	<b>289.6</b>	<b>200.8</b>	<b>33.4</b>	<b>617.8</b>	<b>503.2</b>	<b>70.1</b>	<b>1,714.9</b>
Additions	0.6	96.7	62.6	655.1	0.8		815.8
Disposals		-41.8	-11.4	-685.0			-738.2
Currency translations			-0.7				-0.7
Value adjustment in the income statement		8.4			75.3	28.6	112.3
Value adjustment in the statement of comprehensive income	-5.1						-5.1
Impairment			-5.0				-5.0
<b>At 31.12.2009</b>	<b>285.1</b>	<b>264.1</b>	<b>78.9</b>	<b>587.9</b>	<b>579.3</b>	<b>98.7</b>	<b>1,894.0</b>
of which:							
› Current financial assets		264.1	9.0	587.7			860.8
› Non-current financial assets	285.1		69.9	0.2	579.3	98.7	1,033.2
of which:							
› Financial assets according to IFRS 7	285.1	264.1	78.9	587.9			1,216.0
› Other assets					579.3	98.7	678.0

The weighted average residual term to maturity of short-term investments is 4.7 months (2008: 4.8 months), and the weighted average interest rate is 0.5% (2008: 2.8%).

Financial assets available for sale, securities held for trading, and shares in the state funds, are recorded at fair value. Since the state funds are managed by the federal government, BKW has no access to the managed assets. If the share of net assets of the state funds exceeds the cash value of the estimated decommissioning costs and nuclear waste disposal costs for Mühleberg nuclear power plant, BKW is entitled to a refund corresponding to the surplus capital.

The reduction in value of CHF 5.0 million under Loans concerns the Energy International and Trading segment and is recorded under financial expenses.

<b>16 Intangible assets</b>	Rights of use	Goodwill	Certificates	Other	Total
CHF millions					
Gross values at 31.12.2007	89.4	178.7	0.0	8.5	276.6
Changes in the scope of consolidation					0.0
Additions from acquisitions	33.8	0.7		6.7	41.2
Disposals					0.0
Currency translations	-2.0	-0.9		-0.1	-3.0
<b>Gross values at 31.12.2008</b>	<b>121.2</b>	<b>178.5</b>	<b>0.0</b>	<b>15.1</b>	<b>314.8</b>
Changes in the scope of consolidation	0.4			1.0	1.4
Additions from acquisitions	4.9	0.5	28.2	3.2	36.8
Disposals			-5.0	-3.8	-8.8
Currency translations	-0.1	-0.1			-0.2
<b>Gross values at 31.12.2009</b>	<b>126.4</b>	<b>178.9</b>	<b>23.2</b>	<b>15.5</b>	<b>344.0</b>
Accumulated amortisation and impairments					
at 31.12.2007	40.6	92.4	0.0	1.1	134.1
Depreciation	2.1			4.8	6.9
<b>Accumulated amortisation and impairments at 31.12.2008</b>	<b>42.7</b>	<b>92.4</b>	<b>0.0</b>	<b>5.9</b>	<b>141.0</b>
Depreciation	2.1			3.0	5.1
Impairment	23.5		2.9		26.4
Disposals				-3.7	-3.7
Currency translations	-0.6				-0.6
<b>Accumulated amortisation and impairments at 31.12.2009</b>	<b>67.7</b>	<b>92.4</b>	<b>2.9</b>	<b>5.2</b>	<b>168.2</b>
<b>Net values at 31.12.2008</b>	<b>78.5</b>	<b>86.1</b>	<b>0.0</b>	<b>9.2</b>	<b>173.8</b>
<b>Net values at 31.12.2009</b>	<b>58.7</b>	<b>86.5</b>	<b>20.3</b>	<b>10.3</b>	<b>175.8</b>

Due to a re-assessment of the market in Italy, an energy procurement right related to a power plant project which was recorded under rights of use was tested for impairment, and the carrying amount was reduced to the recoverable amount. The recoverable amount was determined on the basis of value in use, discounted at a WACC (after tax) of 6.6% for the purposes of calculation. Certificates were also written down to their fair value, determined on the basis of the market price. The impairments were charged to income under "Depreciation, amortisation and impairment" and concerned the Energy International and Trading segment.

As a result of the changed internal organisational and reporting structure according to business divisions with responsibility for operating results, goodwill is now tested for impairment at the segment level. When examining goodwill for impairment, segments rather than Group companies are now defined as the relevant cash-generating units.

On the balance sheet date, goodwill was distributed among the following cash-generating units:

CHF millions	31.12.2009	31.12.2008
Energy Switzerland	77.6	77.1
Energy International and Trading	8.8	8.9
Other	0.1	0.1
<b>Total</b>	<b>86.5</b>	<b>86.1</b>

In the year under review, goodwill disclosed on the balance sheet was tested for impairment by comparing the carrying amount of the cash-generating units with their recoverable amount (corresponding to the value in use). The calculations were made on the basis of estimated cash flows from business projections approved by management over a period of four years. Cash flows beyond this period were extrapolated using an estimated growth rate. The impairment test on goodwill disclosed on the balance sheet did not identify any need for impairment.

The value in use is measured on the basis of the following material assumptions:

%	WACC (before tax)		WACC (after tax)		Long-term growth rate	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Energy Switzerland	7.6	7.5	6.0	5.9	1.0	1.0
Energy International and Trading	8.8	8.8	6.8	6.7	1.0	1.0

Based on the findings of a sensitivity analysis, realistic changes in the material assumptions do not suggest that the recoverable amount could fall below the carrying amount.

## 17 Inventories

CHF millions	31.12.2009	31.12.2008
Goods and materials	17.7	19.3
Valuation adjustment on goods and materials	-2.9	-2.5
Certificates	5.9	0.0
<b>Total</b>	<b>20.7</b>	<b>16.8</b>

**18 Accounts receivable**

CHF millions	31.12.2009	31.12.2008
Trade accounts receivable	483.2	521.9
Other financial receivables	56.5	61.4
Other receivables	29.1	30.5
Prepayments	0.3	1.0
Work in progress	9.8	11.5
<b>Total</b>	<b>578.9</b>	<b>626.3</b>

Work in progress includes advance payments of CHF 14.1 million (2008: CHF 15.0 million) recorded on the balance sheet date, as well as pro rata profits of CHF 1.0 million (2008: CHF 1.2 million).

The following table shows the age of trade accounts receivable which are overdue but not impaired:

CHF millions	31.12.2009	31.12.2008
Trade accounts receivable	483.2	521.9
of which		
› not past due	413.2	449.1
› 1 – 30 days past due	15.5	17.4
› 31 – 90 days past due	48.3	45.6
› 91 – 180 days past due	3.7	2.2
› 181 – 360 days past due	1.3	1.9
› Over 360 days past due	1.2	5.7

On the balance sheet there were no indicators that parties owing trade accounts receivable as well as other financial assets would be unable to meet their payment obligations.

The value adjustments for trade accounts receivable and other financial receivables are as follows:

CHF millions	Trade receivables	Other financial receivables
Provisions for impairment at 31.12.2007	3.2	1.5
Net charge for the year	3.0	0.1
Derecognition of uncollectable receivables	- 1.0	
<b>Provisions for impairment at 31.12.2008</b>	<b>5.2</b>	<b>1.6</b>
Net charge for the year	2.9	
Derecognition of uncollectable receivables	- 1.6	
<b>Provisions for impairment at 31.12.2009</b>	<b>6.5</b>	<b>1.6</b>

There are no value adjustments for other financial assets, with the exception of the long-term loans (see Note 15). The other balance sheet items contain no material overdue but unimpaired financial assets. Nor are there any financial assets which would have been overdue or impaired had their payment terms not been renegotiated.

#### 19 Accrued/deferred income and prepaid/accrued expenses

CHF millions	31.12.2009	31.12.2008
Financial accruals	130.3	147.7
Other accruals	36.1	38.0
<b>Total prepaid expenses and accrued income</b>	<b>166.4</b>	<b>185.7</b>
Financial accruals	126.7	155.7
Other accruals	33.4	25.4
<b>Total deferred income and accrued expenses</b>	<b>160.1</b>	<b>181.1</b>

## 20 Share capital and reserves

Significant shareholders and their direct holdings	31.12.2009	31.12.2008
Canton of Berne	52.54%	52.54%
E.ON Energie AG	20.99%	20.99%
Groupe E Ltd.	4.99%	4.99%

Treasury share transactions	Number	Carrying amount CHF millions	Cash-relevant proportion CHF millions
31.12.2007	969,146	110.2	
Purchases	41,988	4.1	4.1
Sales/allotment	-155,553	-17.9	-10.9
<b>31.12.2008</b>	<b>855,581</b>	<b>96.4</b>	
Purchases	4,750	0.4	0.4
Sales/allotment	-116,574	-12.5	-5.6
<b>31.12.2009</b>	<b>743,757</b>	<b>84.3</b>	

### Share capital

The fully paid up and issued share capital consists of 52,800,000 registered shares at a par value of CHF 2.50 each.

### Capital reserves

Capital reserves include the premium paid on issuance of the shares.

### Retained earnings

Retained earnings consist of legal and statutory reserves (excluding capital reserves), retained earnings from previous years, and gains/losses on the sale of treasury shares.

### Currency translations

Reserves for currency translations cover currency differences arising from the conversion of foreign Group companies' financial statements.

### Revaluation reserve

The revaluation reserve includes fair value adjustments for available-for-sale assets until their realisation or their classification as an impairment.

#### Treasury shares

BKW shares held by BKW FMB Energy Ltd. or Group companies are deducted from equity at acquisition cost. Treasury shares are used in particular for employee stock purchase plans. On 31 December 2009, 17,980 BKW shares (2008: 17,980) were held by Group companies and 3,600 (2008: 3,600) by equity-valued companies.

#### Capital management

BKW pursues a strategy aimed at the sustainable increase and retention of corporate value. The aim of BKW capital management is to ensure the Group's long-term capital market standing and financing capability by maintaining a balance sheet structure that is compatible with the defined target rating, and to keep the potential impact of fluctuations in the value of the entire financial and risk portfolio within narrow boundaries. BKW is committed to a consistent dividend payout based on a ratio of 40–50% of net profit. BKW's financial resources primarily serve the core business and provide the requisite scope for action in accordance with the requirements of the Group strategy.

On the balance sheet date the equity ratio was 49.8%, corresponding to a slight decline of 1.5% over the previous-year ratio. There were no changes in capital management in 2009.

<b>21 Provisions</b>	Nuclear waste disposal	Onerous contracts, energy procurement	Onerous contracts, energy sales	Restructuring	Other provisions	<b>Total</b>
CHF millions						
At 31.12.2007	1,103.3	28.9	8.8	1.1	47.1	1,189.2
Provisions made	5.1		0.8	0.4	3.5	9.8
Interest	55.3	1.7				57.0
Provisions used	-14.3	-1.7	-4.2	-0.1	-10.5	-30.8
Provisions released			-3.5	-0.1	-7.8	-11.4
Currency translations					-0.2	-0.2
<b>At 31.12.2008</b>	<b>1,149.4</b>	<b>28.9</b>	<b>1.9</b>	<b>1.3</b>	<b>32.1</b>	<b>1,213.6</b>
Provisions made	5.2		0.8	3.7	19.8	29.5
Interest	57.5	1.7				59.2
Provisions used	-13.3	-1.7	-0.2	-0.3	-2.2	-17.7
Provisions released	-89.0		-1.5	-0.4	-4.4	-95.3
Currency translations					-0.4	-0.4
<b>At 31.12.2009</b>	<b>1,109.8</b>	<b>28.9</b>	<b>1.0</b>	<b>4.3</b>	<b>44.9</b>	<b>1,188.9</b>
of which:						
› Short-term provisions	27.4		0.2	0.2	20.9	48.7
› Long-term provisions	1,082.4	28.9	0.8	4.1	24.0	1,140.2

On 31 December 2009 the provision of CHF 1,109.8 million for nuclear waste disposal comprised the following:

- › CHF 504.4 million is set aside for decommissioning of the nuclear power plant. This covers the costs of the post-operational phase after shutdown, as well as the costs of dismantling the plant and rehabilitation of the surrounding area. Payments are anticipated from the end of commercial operation (provisionally the end of 2022) until completion of the decommissioning work (after approximately 12 years). The costs for disposal of decommissioning waste are due on an ongoing basis until the final storage depot for weak to medium-active nuclear waste is sealed off (scheduled for 2101).
- › An additional CHF 533.4 million is set aside for disposal, outside the plant compound, of spent fuel elements and radioactive waste. These payments are due on an ongoing basis until the final storage depot for highly active nuclear waste is sealed off. This is currently scheduled for the year 2115.
- › CHF 72.0 million is set aside for plant-specific costs. These cover the costs of waste disposal within the power plant and are payable on an ongoing basis until a few years after commercial operations cease.

The operating licence for Mühleberg nuclear power plant was formerly limited to 40 years and would have expired in 2012. In December 2009, following a ruling by the Federal Court, DETEC upheld BKW's application to abolish the time limit. The provision for nuclear waste disposal was accordingly reviewed on 31 December 2009 and revised in accordance with the industry-wide cost estimate, updated in 2006, which in particular is based on an assumed operating period of 50 years. While the longer operating period entails more nuclear waste and hence higher disposal costs, it will also in particular reduce decommissioning costs, since future payments are measured at present value. In total, CHF 89.0 million was released from the provision. In accordance with IFRIC 1, the reversal of provision was booked against the acquisition cost of the nuclear power plant facilities and nuclear fuels (see Note 13) without affecting income. Due to the change in operating period from 40 to 50 years, impairments of CHF 38.9 million in respect of the nuclear power plant facilities and fuels were re-assessed and the reversal was booked to income.

BKW is required to make regular payments to the state funds for decommissioning and nuclear waste disposal. These funds pay the costs of decommissioning and disposal on behalf of operators following shutdown of the plants. The state fund receivables are disclosed under non-current financial assets (see Note 15).

The provision for onerous energy purchase contracts covers the cash outflows in excess of selling prices for energy purchases from partner plants. The calculation is based on projected electricity prices. The remaining provision is used continually for energy purchases from partner plants and can extend beyond the end of the permit period (i.e. until 2075 at the latest).

The provision for onerous energy sales contracts covers future below-market cash inflows from energy sales contracts. The contracts have a term of up to two years.

The provision for restructuring covers future expenses for defined or legally required restructuring measures. The provision made in the year under review concerns the reorganisation of the Networks division to align it to new market requirements, in particular due to growing regulatory pressure. The cash outflow from this provision is spread over the next two years.

Other provisions include obligations related to personnel as well as other operating obligations. The provision recognised in the year under review concerns in the amount of CHF 14.9 million an obligation related to the construction of power plants in Italy, which constitutes an onerous contract for BKW due to the negative economic trend. Cash outflows in respect of other provisions are largely anticipated over the next two years.

Interest on provisions calculated at present value is charged via financial expenses.

**22 Financial liabilities**

CHF millions	31.12.2009	31.12.2008
3% debenture bond 2007–2022 BKW	195.6	195.3
3.375% debenture bond 2009–2019 BKW	343.9	0.0
Pension plans	30.0	30.0
Other financial liabilities	4.2	4.0
<b>Total</b>	<b>573.7</b>	<b>229.3</b>
of which:		
› Short-term financial liabilities	0.0	0.0
› Long-term financial liabilities	573.7	229.3

On the balance sheet date the weighted average interest rate based on the nominal value amounted to 3.25% (2008: 3.06%).

On 29 July 2009, BKW issued a 3.375% bond for CHF 350 million with a term of 10 years. Bonds are valued using the effective interest method. The resultant effective interest rate of 3.3% led to interest expenses of CHF 11.4 million in the year under review (2008: CHF 6.2 million).

**23 Other long-term liabilities**

CHF millions	31.12.2009	31.12.2008
Assigned rights of use	167.4	154.3
Other long-term financial liabilities	10.4	12.8
Other long-term liabilities	0.9	0.9
<b>Total</b>	<b>178.7</b>	<b>168.0</b>

**24 Other short-term liabilities**

CHF millions	31.12.2009	31.12.2008
Trade accounts payable	321.2	262.3
Other financial liabilities	32.3	49.8
Other liabilities	59.2	46.2
Pension plans	0.7	5.0
Customer prepayments	11.8	5.7
<b>Total</b>	<b>425.2</b>	<b>369.0</b>

Customer prepayments concern work in progress and included order costs of CHF 27.6 million (2008: 18.7 million) on the balance sheet date, as well as pro rata profits of CHF 1.2 million (2008: CHF 0.8 million).

**25 Pension plan**

Pension plan expenses CHF millions	2009	2008
Current service cost (employer)	27.1	26.1
Interest expenses	39.3	39.0
Expected return on plan assets	-46.1	-60.1
Actuarial gains/losses according to § 58A	0.5	77.7
Past service cost (employer)	-23.7	28.9
Effects of unrecorded amount	0.0	-92.4
<b>Pension plan expenses</b>	<b>-2.9</b>	<b>19.2</b>

Plan assets CHF millions	2009	2008
<b>Fair value of plan assets at 01.01.</b>	<b>1,158.7</b>	<b>1,328.1</b>
Expected return on plan assets	46.1	60.1
Employer contributions	25.4	27.3
Employee contributions	13.3	12.5
Contributions paid/benefits paid out	-48.7	-23.0
Actuarial gains/losses	85.9	-246.3
<b>Fair value of plan assets at 31.12.</b>	<b>1,280.7</b>	<b>1,158.7</b>

CHF millions	31.12.2009	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Fair value of plan assets	1,280.7	1,158.7	1,328.1	1,307.8	1,212.7
Present value of pension plan obligations	-1,278.9	-1,214.7	-1,191.4	-1,161.5	-1,086.7
<b>Surplus/shortfall</b>	<b>1.8</b>	<b>-56.0</b>	<b>136.7</b>	<b>146.3</b>	<b>126.0</b>
Experience adjustment to pension obligation	43.2	4.0	38.6	3.0	6.6
Experience adjustment to plan assets	85.9	-246.3	-24.0	30.9	108.3

Amount recorded in the balance sheet at year-end CHF millions	31.12.2009	31.12.2008
Fair value of plan assets	1,280.7	1,158.7
Present value of funded pension plan obligation	-1,278.9	-1,214.7
Surplus/shortfall	1.8	-56.0
Unrecorded actuarial gains/losses	96.9	126.1
<b>Amount recorded in the balance sheet at 31.12.</b>	<b>98.7</b>	<b>70.1</b>
Present value of pension plan obligation CHF millions	2009	2008
<b>Present value of pension plan obligation at 01.01.</b>	<b>1,214.7</b>	<b>1,191.4</b>
Interest expenses	39.3	39.0
Current service cost (employer)	27.1	26.1
Contributions paid/benefits paid out	-48.7	-23.0
Employee contributions	13.3	12.5
Past service cost (employer)	-23.7	28.9
Actuarial gains/losses	56.9	-60.2
<b>Present value of pension plan obligation at 31.12.</b>	<b>1,278.9</b>	<b>1,214.7</b>
Effective return on plan assets CHF millions	2009	2008
Expected return on plan assets	46.1	60.1
Actuarial gains/losses	85.9	-246.3
<b>Effective return on plan assets</b>	<b>132.0</b>	<b>-186.2</b>

Breakdown of fair value of plan assets CHF millions	31.12.2009	31.12.2008
BKW investment instruments	3.7	4.7
Third-party investment instruments	458.5	347.2
BKW debt instruments	29.4	31.7
Third-party debt instruments	482.3	472.4
Real estate used by BKW	9.2	9.2
Other real estate	246.1	235.6
Other	51.5	57.9
<b>Total</b>	<b>1,280.7</b>	<b>1,158.7</b>

Actuarial assumptions	2009	2008
Discount rate	3.15%	3.25%
Expected rate of return on plan assets	4.00%	4.50%
Expected rate of future salary increases	2.00%	2.00%
Expected rate of future pension increases	0.50%	0.50%

Due to the investment strategy adopted by the pension funds and the anticipated rate of return on individual investment categories, the long-term return was measured over the average remaining period of service.

Estimated contributions for the next period CHF millions	2009	2008
Expected employer contributions	21.0	23.0
Expected employee contributions	13.1	13.4

## 26 Derivatives

The following table provides information on replacement values and contract volumes for derivative financial instruments open on the balance sheet date in respect of energy trading and exchange rate hedging. Options comprise contracts of an optional nature, of the type concluded in particular during the development phase of power plant projects.

Derivatives are recorded at fair value in the balance sheet, as positive replacement values (receivables) or negative replacement values (liabilities). Positive replacement values correspond to the costs which BKW would incur to replace all transactions that represent benefits for BKW if all counterparties were simultaneously unable to pay and the transactions could be immediately replaced. Negative replacement values correspond to the costs that counterparties would incur to replace all transactions that represent benefits for them if BKW were no longer able to meet its obligations. The contract volume corresponds to the basic value or contract volume of the underlying derivative financial instrument.

The replacement value for futures is zero, since price fluctuations are offset daily compared with the agreed closing prices. Forward energy trading contracts contain forwards with fixed and flexible profiles.

	Positive replacement value		Negative replacement value		Contract volume	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008
CHF millions						
Futures (energy trading)	0.0	0.0	0.0	0.0	23.7	128.8
Forward contracts (energy trading)	125.0	271.3	124.9	210.7	2,005.4	2,124.9
Options	0.0	0.0	4.9	0.1	0.0	0.0
Exchange rate hedging	0.0	4.6	0.2	2.0	11.4	39.7
<b>Total</b>	<b>125.0</b>	<b>275.9</b>	<b>130.0</b>	<b>212.8</b>	<b>2,040.5</b>	<b>2,293.4</b>
of which:						
> Current derivatives	86.4	232.2	92.2	163.2		
> Non-current derivatives	38.6	43.7	37.8	49.6		

## 27 Business combinations

### Business combinations in 2009

No significant combinations occurred in the year under review.

### Business combinations in 2008

In 2009 BKW Erneuerbare Energien GmbH of Kelkheim (D) acquired Bockelwitz wind farm in Saxony (D). While the transaction involved the purchase of assets and liabilities rather than the acquisition of a company, it was classified according to the provisions of IFRS 3 since the wind farm meets the standard's definition of a business. This acquisition did not result in any goodwill.

## 28 Related parties

The following financial relationships between BKW and related parties existed in the periods reported. All transactions were conducted on the same terms and conditions as with independent third parties:

CHF millions	Parent		Companies exerting significant influence over the Group		Associated companies		Joint ventures		Pension funds	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Energy sales	7.6	8.9	210.6	54.1	163.3	51.9	25.8	25.4	0.0	0.1
Other sales and services	5.2	2.5	4.9	3.0	70.7	39.3	21.8	15.4	1.2	1.0
Interest and dividends received	3.4	1.8	1.4	1.5	13.1	1.5	13.4	13.9		
Energy purchases			178.6	45.0	75.4	57.3	319.6	282.6		
Taxes and charges	14.9	15.4								
Interest paid	0.2	0.6							1.0	1.2
Dividends paid	63.8	74.9	30.4	37.0						
Income taxes	22.9	16.3								
Other purchases and services	2.9	3.3	15.1	9.2	110.6	24.5	15.6	14.3	21.9	25.3
Loans (active)					32.7	3.1	1.6	7.5		
Rights of use							4.1	5.0		
Current financial assets	7.1	8.6					9.4	8.0		
Receivables and accruals	3.7	2.7	5.1	19.7	29.3	26.0	10.9	16.0	0.1	0.1
Cash and cash equivalents	75.7	14.2								
Liabilities and accruals	3.4	0.6	12.5	4.0	33.9	18.3	17.2	31.9	30.6	33.8
Liabilities from income taxes	25.2	4.3								

#### Transactions with the parent

The canton of Berne is the majority shareholder of BKW. As such, it has a controlling influence on all decisions at the General Shareholders' Meeting, including the election of members of the Board of Directors and the appropriation of retained earnings. The relationship with the canton of Berne, its authorities, public-law institutions and the private-law companies it controls is on many levels: BKW delivers energy and other services, purchases material and services, and pays taxes, water rates and other levies and charges. Furthermore, it conducts financial transactions with the Cantonal Bank of Berne (BEKB).

#### Transactions with companies exerting significant influence over the Group

E.ON Energie AG and Groupe E Ltd. are represented on the BKW Board of Directors and are therefore able to influence decisions on BKW's financial and business policies. BKW delivers to and buys energy from both companies. All these transactions are performed at market conditions. BKW also provides other services to and purchases material and services from both companies. In turn, BKW holds a 10.0% share in Groupe E Ltd.

#### Transactions with Group companies

No transactions were conducted which were not eliminated within the scope of consolidation.

#### Transactions with associated companies

Reported transactions consist of energy deliveries, energy transports, dividends, engineering services (income), maintenance/servicing (income), energy purchases, material/third-party services and other services (expense). In 2009 associated companies borrowed CHF 30.4 million in loans from BKW (2008: CHF 0.4 million). No loan repayments were made in the year under review (2008: CHF 0.5 million).

#### Transactions with joint ventures

Reported transactions consist of energy deliveries, energy transports, dividends, engineering services (income), operational management and maintenance/servicing (income), energy purchases, material/third-party services and other services (expense). Energy produced by partner plants is billed to shareholders at actual cost on the basis of existing agreements. In 2009 joint ventures paid back CHF 8.9 million in loans to BKW (2008: CHF 0.6 million) and borrowed CHF 9.4 million (2008: CHF 3.0 million). In the year under review one loan was impaired by CHF 5.0 million. BKW acquired property, plant and equipment from joint ventures at a purchase price of CHF 9.4 million as well as intangible assets valued at CHF 1.6 million.

#### Transactions with pension funds

Transactions with pension funds are conducted as part of the occupational pension plan and consist of employer contributions, administrative charges (personnel, operational and administrative costs), real estate services (management of properties) and financial transactions (liquidity management including interest).

## Transactions with the Board of Directors and Executive Board

Remuneration CHF millions	2009	2008
Short-term benefits	3.3	3.0
Contributions to pension plans	0.5	0.7
Share-based payments	0.1	0.3
<b>Total</b>	<b>3.9</b>	<b>4.0</b>

On the balance sheet date there were loans amounting to CHF 0.1 million (2008: CHF 0.1 million) to members of Executive Board.

Details of remuneration to the Board of Directors and Executive Board as well as their shareholdings pursuant to Art. 663b<sup>bis</sup> and Art. 663c para. 3 of the Swiss Code of Obligations are provided in the financial statements of BKW FMB Energie Ltd. on pages 72 to 75.

## 29 Operating leases

Future minimum lease payments under non-cancellable operating leases on the balance sheet date:

Term at 31.12.2009 CHF millions	Long-term rental contracts	Other operating leases	<b>Total</b>
Up to 1 year	2.9	0.9	3.8
2 – 5 years	10.4	1.6	12.0
More than 5 years	2.7	0.7	3.4
<b>Total</b>	<b>16.0</b>	<b>3.2</b>	<b>19.2</b>
Leasing expense recorded in 2009	2.7	1.0	3.7

Term at 31.12.2008 CHF millions	Long-term rental contracts	Other operating leases	<b>Total</b>
Up to 1 year	1.9	0.9	2.8
2 – 5 years	6.6	1.7	8.3
More than 5 years	4.0	0.8	4.8
<b>Total</b>	<b>12.5</b>	<b>3.4</b>	<b>15.9</b>
Leasing expense recorded in 2008	2.3	0.7	3.0

## 30 Additional disclosures on the cash flow statement

Cash and cash equivalents CHF millions	<b>31.12.2009</b>	31.12.2008
Bank and cash balances	389.8	216.0
Term deposits	70.0	0.0
<b>Total</b>	<b>459.8</b>	<b>216.0</b>

The acquisition in 2009 of Group companies amounting to CHF 10 million corresponds to the purchase price of CHF 10.4 million minus a postponed purchase price payment of CHF 0.4 million. On the acquisition date these companies had net assets of CHF 10.4 million, of which property, plant and equipment accounts for CHF 9.9 million. No cash or cash equivalents were acquired.

In 2008 the acquisition price corresponded to the net assets acquired. This did not include any cash and cash equivalents.

### 31 Share-based payment

In the year under review BKW employees and members of the BKW Board of Directors had an opportunity to acquire up to 248,655 shares in BKW (2008: 232,495 shares) at a preferential price. In 2009 93,099 shares (2008: 126,054 shares) were assigned at a price of CHF 60.00 each (2008: CHF 75.00). The underlying fair value per share was CHF 89.00 (2008: CHF 145.00). The personnel expense for this share-based payment was CHF 2.8 million (2008: CHF 9.2 million). No purchase rights remained open on the balance sheet date.

### 32 Disclosure of financial assets and liabilities

#### 32.1 Carrying amount by balance sheet item and allocation to individual categories in accordance with IAS 39

Financial assets	Note	Loans and receivables		Fair value through profit or loss		Available for sale		Total	
		2009	2008	2009	2008	2009	2008	2009	2008
CHF millions		2009	2008	2009	2008	2009	2008	2009	2008
Non-current financial assets	15	70.1	25.4			285.1	289.6	355.2	315.0
Trade accounts receivable	18	483.2	521.9					483.2	521.9
Other short-term financial receivables	18	56.5	61.4					56.5	61.4
Derivatives (short- and long-term)	26			125.0	275.9			125.0	275.9
Current financial assets	15	596.7	625.8	264.1	200.8			860.8	826.6
Financial accruals	19	130.3	147.7					130.3	147.7
Cash and cash equivalents	30			459.8	216.0			459.8	216.0
<b>Total</b>		<b>1,336.8</b>	<b>1,382.2</b>	<b>848.9</b>	<b>692.7</b>	<b>285.1</b>	<b>289.6</b>	<b>2,470.8</b>	<b>2,364.5</b>

The applicable amount stated per category is described in the principles of accounting and valuation.

Due to short residual terms to maturity, the carrying amounts of loans and receivables correspond approximately to their fair values. The carrying amount of term deposits included under current financial assets differs from the fair value. The fair value of term deposits corresponds to the present value of payments related to assets, taking into account the respective current interest rate parameters. At 31 December 2009 the fair value of term deposits was CHF 588.3 million and the carrying amount was CHF 587.7 million (2008: fair value CHF 630.4 million, carrying amount CHF 617.8 million).

Financial liabilities	Note	Liabilities at amortised cost		Fair value through profit or loss		Total	
		2009	2008	2009	2008	2009	2008
CHF millions							
Long-term financial liabilities	22	573.7	229.3			573.7	229.3
Other long-term financial liabilities	23	10.4	12.8			10.4	12.8
Trade accounts payable	24	321.2	262.3			321.2	262.3
Other short-term financial liabilities	24	32.3	49.8			32.3	49.8
Derivatives (short- and long-term)	26			130.0	212.8	130.0	212.8
Financial accruals	19	126.7	155.7			126.7	155.7
<b>Total</b>		<b>1,064.3</b>	<b>709.9</b>	<b>130.0</b>	<b>212.8</b>	<b>1,194.3</b>	<b>922.7</b>

Due to short residual terms to maturity, the carrying amount of financial liabilities at amortised cost corresponds to their fair value. At 31 December 2009 a difference existed between these values for the bonds included under long-term financial liabilities at a nominal value of CHF 550 million. The amount of CHF 539.5 million recorded in the balance sheet corresponds to the value calculated using the effective interest rate method. At the end of 2009 the listed value of the bonds was CHF 573.2 million (2008: balance sheet value CHF 195.3 million, listed value CHF 199.3 million).

### 32.2 Hierarchy of fair values

Financial assets and liabilities measured at fair value through profit or loss are classified according to the following hierarchy:

- › Level 1: covers valuations based exclusively on quoted prices in active markets for identical assets or liabilities. BKW currently classifies only energy trading futures under this level.
- › Level 2: covers over-the-counter derivatives. These transactions are conducted with a specific counterparty and cannot therefore be designated as actively held for trading at any time, but for all inputs which have a material impact on the fair value are based on directly or indirectly observable market data. BKW currently classifies all forward energy trading contracts as well as forward currency contracts under this level.
- › Level 3: denotes valuations which apply inputs with a material impact on the fair value which are not based on observable market data. BKW mainly classifies unlisted securities designated as available-for-sale financial assets under this level.

CHF millions	Carrying amount at 31.12.2009	Level 1	Level 2	Level 3
<b>Financial assets at fair value through profit or loss</b>				
Non-current financial assets				
› Available-for-sale financial assets	285.1	131.1		154.0
Derivatives (short- and long-term)	125.0		125.0	
Current financial assets				
› Securities held for trading	264.1	264.1		
Cash and cash equivalents	459.8	459.8		
<b>Financial liabilities at fair value through profit or loss</b>				
Derivatives (short- and long-term)	130.0		125.1	4.9

In 2009 the following fair values of Level 3 financial assets and liabilities were determined using the discounted cash flow method and discounted using a WACC of 7.2%:

CHF millions	Available-for-sale financial assets	Negative replacement values, derivatives
<b>At 31.12.2008</b>	<b>152.4</b>	<b>0.1</b>
Additions	0.1	4.9
Value adjustment		
› Transfer to income statement	0.0	-0.1
› Changes in value recorded in equity	1.5	0.0
<b>At 31.12.2009</b>	<b>154.0</b>	<b>4.9</b>

**32.3 Net results of financial assets and liabilities measured in accordance with IAS 39**

Net result	Loans and receivables		Fair value through profit or loss		Available for sale		Liabilities at amortised cost		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
CHF millions										
Included in net sales:										
› Income from energy derivatives trading			24.5	23.2					24.5	23.2
› Change of provision for impairment of receivables	-1.3	-2.1							-1.3	-2.1
Included in financial result:										
› Interest income	9.5	10.1	6.5	24.2					16.0	34.3
› Interest expense							-12.9	-8.0	-12.9	-8.0
› Dividends			1.0	1.0	4.7	4.4			5.7	5.4
› Gains from subsequent measurement at fair value			9.1	-8.7					9.1	-8.7
› Gains from sales			1.0	-5.6					1.0	-5.6
› Other financial income	-5.6	-0.9	-1.0	-1.1					-6.6	-2.0
› Currency translations	-4.8	2.2	1.2	-22.1			1.2	-1.9	-2.4	-21.8
Included in the statement of comprehensive income:										
› Gains from subsequent measurement at fair value					-5.1	-0.8			-5.1	-0.8
<b>Total</b>	<b>-2.2</b>	<b>9.3</b>	<b>42.3</b>	<b>10.9</b>	<b>-0.4</b>	<b>3.6</b>	<b>-11.7</b>	<b>-9.9</b>	<b>28.0</b>	<b>13.9</b>

No financial instruments were designated at fair value through profit or loss in the above-listed financial years.

**33 Financial risk management****33.1 Principles of risk management**

Risk management is viewed as a supporting function for senior management. The purpose of risk management is to provide decision makers with a transparent representation of the risks associated with individual business activities. The core element is the risk management process for the systematic recording and assessment of risks as well as their control and monitoring of implementation. This is integrated in the financial management process.

The defined risk management principles govern the management of operational, market price, share price, currency conversion, and interest rate and credit risks. Principles have also been laid down governing the management of cash and cash equivalents as well as short- and long-term cash deposits. The Group monitors and controls these risks. Corporate Risk Management reports directly to the Head of Finance and Controlling, defines Group-wide requirements for risk management, and aggregates risks at Group level.

The risk spectrum monitored by the Executive Board covers risks related to operating activities as well as to strategy and its implementation in projects. An Executive-Board-level Risk Committee prepares guidelines and risk reports as a decision-making basis for the Executive Board. The Risk Committee is an advisory body which submits independent recommendations on risk issues to the Executive Board in predefined processes. The Board of Directors last assessed the risks related to operating activities at its meeting on 4 December 2009.

### 33.2 Credit risks

A credit risk is the possibility of a loss which may be incurred if a customer or counterparty is unable to discharge its contractual obligations. Standardised credit risk management with defined limits per counterparty is practised with respect to accounts receivable from energy trading activities and the investment of funds.

The majority of credit risks are managed centrally by Corporate Risk Management. The process is separated into two parts: credit appraisal with defined limits, and limit monitoring and reporting. Credit appraisal involves the use of an internal rating system which assigns credit ratings of A, B or C to counterparties. A and B correspond to the standard "Investment Grade" used by rating agencies. The rating is calculated based on the Basel II Internal Rating approach. The credit appraisal also takes into account external ratings by recognised rating agencies. A limit is defined for each counterparty based on the defined credit rating and the counterparty's equity situation.

The following table indicates the credit risk related to trade receivables, to derivatives with a positive replacement value, and to current accounts and term deposits with credit institutes on the balance sheet, broken down by credit rating. The standardised rating process covers trading and bank counterparties as well as sales counterparties in Switzerland. Credit risk management for other counterparties is carried out decentrally on the basis of individual approaches.

CHF millions	31.12.2009	31.12.2008
Credit rating A	570.8	528.0
Credit rating B	832.9	805.7
Credit rating C	27.2	32.6
Other counterparties	224.8	265.3
<b>Total</b>	<b>1,655.7</b>	<b>1,631.6</b>
Included under:		
› Trade accounts receivable	483.2	521.9
› Derivatives (short- and long-term)	125.0	275.9
› Current financial assets	587.7	617.8
› Cash and cash equivalents	459.8	216.0

The maximum credit risk (without secured guarantees) corresponds to the amount of outstanding financial assets on the balance sheet date. At 31 December 2009 the maximum credit risk for BKW was CHF 2,470.8 million compared to CHF 2,364.5 million in 2008 (carrying amount of all financial assets in accordance with Note 32.1). The maximum loss presented is based on the assumption that all counterparties simultaneously become unable to discharge their payment obligations and that existing collateral and netting arrangements cannot be utilised.

On the balance sheet date there were secured guarantees of CHF 73.9 million (2008: CHF 51.3 million), which accordingly increase the maximum default risk.

Collateral is required primarily for counterparties in the energy trading business, whereby the creditworthiness of the collateral issuer is assessed and rated. Customers with A and B ratings may be granted a higher limit than defined for the assigned credit category if collateral is provided. This ensures that the effective risk at no time exceeds the additional collateral. A business relation with C-rated counterparties is normally permissible only if collateral is provided to cover both billed and unbilled items. Collateral amounting to CHF 148.2 million (2009: 143.7 million) was held for trade receivables and derivatives recorded on the balance sheet at 31 December 2009.

A cluster risk would arise if excessive credit were granted to an individual customer. The potential loss and the resultant write-down would be disproportionately high if the counterparty were to default. For this reason, care is taken to ensure an adequate spread of risks and limits, with a maximum limit defined per credit category.

In geographical terms, the credit risks are primarily concentrated on Switzerland. On the balance sheet date, counterparties in Switzerland accounted for 85% of the credit risk (2008: 75%).

### **33.3 Liquidity risks**

Liquidity is defined as the ability to cover cash outflow requirements at any time without restrictions.

At Group level, liquidity management is based on the Group's mid-term planning, budget and forecast. Rolling liquidity plans with a 12-month horizon are drawn up for the entire Group on the basis of these documents as well as current findings. These plans are used to examine the rationale behind long-term measures in light of the latest information, as well as to identify potential liquidity shortfalls and formulate tactics to optimise the financial result.

## Residual terms to maturity of financial liabilities

The following tables provide information on the residual terms to maturity of financial liabilities on a non-discounted basis:

	Note	Carrying amount at 31.12.2009	Not later than 1 month	Later than 1 month and not later than 3 months	Later than 3 months and not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years
CHF millions							
<b>Non-derivative financial liabilities</b>							
Long-term financial liabilities	22	573.7			19.0	107.7	657.1
Other long-term financial liabilities	23	10.4				3.3	9.9
Trade accounts payable	24	321.2	278.5	41.6	1.1		
Other short-term financial liabilities	24	32.3	23.1	0.4	8.8		
Financial accruals	19	126.7	73.3	39.1	14.3		
<b>Total non-derivative liabilities</b>		<b>1,064.3</b>	<b>374.9</b>	<b>81.1</b>	<b>43.2</b>	<b>111.0</b>	<b>667.0</b>
<b>Derivative financial assets and liabilities</b>							
Energy derivatives/options							
› Positive replacement values	26	125.0	15.3	21.7	57.9	37.9	0.7
› Negative replacement values	26	-129.8	-13.0	-24.8	-62.7	-37.8	
<b>Net replacement values</b>		<b>-4.8</b>	<b>2.3</b>	<b>-3.1</b>	<b>-4.8</b>	<b>0.1</b>	<b>0.7</b>
Currency forwards							
› Positive replacement values	26	0.0					
› Negative replacement values	26	-0.2	-0.1	-0.1			
<b>Net replacement values</b>		<b>-0.2</b>	<b>-0.1</b>	<b>-0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Gross cash flows related to derivatives							
› Gross outflow			-360.5	-532.4	-1,914.2	-595.0	-3.1
› Gross inflow			347.3	545.5	1,921.9	576.9	

CHF millions	Note	Carrying amount at 31.12.2008	Not later than 1 month	Later than 1 month and not later than 3 months	Later than 3 months and not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years
<b>Non-derivative financial liabilities</b>							
Long-term financial liabilities	22	229.3			7.2	61.3	256.0
Other long-term financial liabilities	23	12.8				6.3	8.0
Trade accounts payable	24	262.3	222.9	39.0	1.3		
Other short-term financial liabilities	24	49.8	32.5	1.2	16.1		
Financial accruals	19	155.7	123.7	11.0	20.3	0.7	
<b>Total non-derivative liabilities</b>		<b>709.9</b>	<b>379.1</b>	<b>51.2</b>	<b>44.9</b>	<b>68.3</b>	<b>264.0</b>
<b>Derivative financial assets and liabilities</b>							
Energy derivatives/options							
› Positive replacement values	26	271.3	28.3	47.4	181.0	43.7	
› Negative replacement values	26	-210.8	-20.0	-38.5	-131.8	-49.6	
<b>Net replacement values</b>		<b>60.5</b>	<b>8.3</b>	<b>8.9</b>	<b>49.2</b>	<b>-5.9</b>	<b>0.0</b>
Currency forwards							
› Positive replacement values	26	4.6	2.2	0.6	1.8		
› Negative replacement values	26	-2.0	-0.6	-0.6	-0.6	-0.2	
<b>Net replacement values</b>		<b>2.6</b>	<b>1.6</b>	<b>0.0</b>	<b>1.2</b>	<b>-0.2</b>	<b>0.0</b>
Gross cash flows related to derivatives							
› Gross outflow			-349.2	-594.2	-2,314.2	-579.7	
› Gross inflow			351.7	597.2	2,325.9	572.1	

Amounts in foreign currency are converted at the exchange rate on the balance sheet date. In the absence of any contractual provision, the maturity date for other financial liabilities and financial accruals is estimated. The table shows interest-bearing liabilities including the corresponding interest rate payments. The gross cash flows resulting from derivative financial instruments do not take netting arrangements into account.

### 33.4 Market risks

Market risks arise from price and exchange rate fluctuations on unsecured positions of the energy and financial business. BKW's risk policy enables the existence of monitored, open positions. Energy price, interest rate, share price, exchange rate and CO<sub>2</sub> certificate price risks are centrally managed. BKW's market risks are aggregated in a Group-level risk portfolio that takes full account of the mutual dependencies of various risk classes (correlations and the associated diversification effects) and enables a systematic analysis as well as efficient controls and effective limitation of the overall risk. The value at risk (VaR) limits required for the purpose of controls must be approved by the Executive Board and Board of Directors.

#### 33.4.1 Share price risk

BKW is exposed to a share price risk for financial assets held for trading and available-for-sale financial assets, as well as for receivables from state funds (see Note 15). Receivables from state funds do not come under the definition of a financial instrument under the terms of IAS 32 and are consequently not covered by the following statements on risk measurement.

#### 33.4.2 Interest rate risks

The production of power and operation of transmission and distribution networks are capital-intensive. These are financed over the long term with phased maturity dates to minimise the impact of interest rate changes on the earnings situation. In addition, interest rate hedging instruments are used where necessary. Cash is invested over the short to medium term primarily in fixed-interest positions.

#### 33.4.3 Exchange rate risks

Energy trading is largely conducted in euros. Exchange rate fluctuations have an impact on the assets and earnings positions stated in Swiss francs. To the extent considered necessary, foreign currency positions are secured by means of currency swaps.

#### 33.4.4 Energy price risks/CO<sub>2</sub> certificate price risks

Energy trading outside asset management is conducted in line with proprietary trading strategies that permit relatively small unsecured positions. Unsecured positions can only be entered into in the current year and the subsequent three years, to ensure that proprietary trading can enter into risks only within the time frame in which market liquidity is a given.

#### 33.4.5 Risk measurement

Interest rate, share price and exchange rate risks are regularly measured and reported on the basis of value at risk. BKW uses the variance/co-variance method with a 1-year holding period, a confidence level of 99% and a historical rolling period of 250 days.

Value at risk CHF millions	31.12.2009	31.12.2008
Interest	12.5	13.0
Share price, financial instruments held for trading	14.4	16.9
Share price, financial instruments available for sale	118.4	211.0
Currencies	34.8	49.0

The value at risk shows the value fluctuation risk based on individual risks which, given no change, could occur in 12 months taking into account the defined confidence level. The values shown would impact the results as well as equity.

In the absence of any impairment, fluctuations in the value of available-for-sale assets have no influence on the annual results but are recorded directly in equity.

The risk related to negative movements in electricity, gas and CO<sub>2</sub> certificate prices is determined using value at risk on the basis of a 1-day holding period and a confidence level of 99%, by means of historical simulation and a rolling 260-day period. In addition to the value at risk control model, subordinate position and benefit limits are defined.

Value at risk CHF millions	31.12.2009	31.12.2008
Electricity price	0.7	0.7
Gas price	0.0	0.2
CO <sub>2</sub> certificate price	0.5	0.7

No open gas trading positions existed as at 31 December 2009.

#### 34 Contingent liabilities and investment obligations

CHF millions	31.12.2009	31.12.2008
Guarantees		
› in favour of associated companies	57.6	33.7
› in favour of third parties	16.3	17.6
Investment obligations	435.4	638.2
Capital payment obligations	0.6	0.6
<b>Total</b>	<b>509.9</b>	<b>690.1</b>

##### Contingent liabilities

CHF 6.0 million of the secured guarantees have a term to maturity of up to 12 months. Unlimited guarantees amounting to CHF 54.5 million were granted.

Nuclear power plant operators are under a limited obligation to make supplementary contributions to the decommissioning fund in the event that an individual contributor is unable to pay. Since the entry into force of the new Nuclear Energy Act on 1 February 2005, this limited obligation to make supplementary contributions has also applied to the disposal fund.

Due to existing partner contracts, shareholders in partner plants are obliged to pay the annual costs due on their shares (including interest and repayment of borrowed funds).

##### Investment obligations

In January 2008 BKW acquired a 33% non-controlling interest in a coal-fired power plant project in Wilhelmshaven, Northern Germany, from Electrabel Deutschland AG. The aim of this acquisition was to further strengthen BKW's production capacities in Germany and support its sales activities there through proprietary generating facilities. The interest in the partner plant entails an investment of EUR 430 million on the part of BKW. Around EUR 167 million had been invested by 31 December 2009. The Wilhelmshaven plant is scheduled to go into operation in 2012.

In December 2008 BKW acquired a 48% stake in Tamarete Energia S.r.l., an Italian power plant company which is planning to upgrade a gas-fired combined-cycle power plant in Chieti (Ortona). This acquisition has strengthened BKW's market presence in Italy. For BKW this holding entails an investment of around EUR 43 million. Around EUR 25 million had been invested by 31 December 2009. The upgraded power plant is scheduled to go into operation at the end of 2010.

### **35 Events after the balance sheet date**

These consolidated financial statements were approved by the Board of Directors on 12 March 2010. Up to this point in time, no events had occurred after the balance sheet date. The consolidated financial statements are subject to the approval of the BKW General Shareholders' Meeting on 16 April 2010.

# Holdings

	Energy Switzerland	Energy International and Trading	Networks	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW FMB Energy Ltd. holdings	Closing date
<b>Group companies</b>										
Arnold AG			●		Selzach	0.5	CHF	86.0	●	31.12.
Biomassekraftwerk Otelfingen AG	●				Otelfingen	0.5	CHF	50.0	●	31.12.
BKW Balance GmbH		●			Kelkheim (D)	0.03	EUR	100.0		31.12.
BKW Deutschland GmbH				●	Kelkheim (D)	0.1	EUR	100.0	●	31.12.
BKW Energie Dörpen Beteiligungs-GmbH		●			Kelkheim (D)	0.03	EUR	100.0		31.12.
BKW Energie GmbH		●			Kelkheim (D)	1.0	EUR	100.0		31.12.
BKW Energie Wilhelmshaven Beteiligungs-GmbH		●			Kelkheim (D)	0.03	EUR	100.0		31.12.
BKW enex AG		●			Berne	15.0	CHF	100.0		31.12.
BKW Erneuerbare Energien GmbH		●			Kelkheim (D)	0.03	EUR	100.0		31.12.
BKW FMB Beteiligungen AG				●	Berne	50.0	CHF	100.0	●	31.12.
BKW FMB Energie Österreich GmbH		●			Vienna (A)	0.05	EUR	100.0	●	31.12.
BKW Handel AG		●			Berne	7.5	CHF	100.0	●	31.12.
BKW ISP AG			●		Ostermundigen	0.9	CHF	100.0	●	31.12.
BKW Italia S.p.A.		●			Milan (I)	13.4	EUR	100.0	●	31.12.
BKW Übertragungsnetz AG			●		Berne	40.0	CHF	100.0	●	31.12.
Bradano Energia S.r.l.		●			Milan (I)	0.01	EUR	100.0		31.12.
Electra Italia S.p.A.		●			Milan (I)	1.0	EUR	80.1		31.12.
Elektrizitätswerk Grindelwald AG	●		●		Grindelwald	0.55	CHF	92.1		31.12.
Elektrizitätswerke Wynau AG	●				Langenthal	0.1	CHF	100.0		31.12.
Elektro Feuz AG			●		Grindelwald	0.1	CHF	66.0		31.12.
Energie Utzenstorf AG	●				Utzenstorf	1.0	CHF	90.0	●	31.12.
Erdgas Thunersee AG	●				Interlaken	6.9	CHF	66.7	●	31.12.
EWR Energie AG	●		●		Schattenhalb	2.0	CHF	100.0	●	31.12.
Faltinek AG			●		Wangenried	0.28	CHF	100.0		31.12.
Holzwärme Grindelwald AG	●				Grindelwald	2.5	CHF	90.7		31.12.
Idroelettrica Lombarda S.r.l.		●			Milan (I)	25.43	EUR	100.0		31.12.
inelectro sa			●		Porrentruy	0.5	CHF	100.0	●	31.12.
Kraftwerke Kander Alp AG	●				Kandersteg	2.5	CHF	60.0		31.12.
Kraftwerke Milibach AG	●				Wiler (Lötschen)	1.0	CHF	80.0	●	31.12.
Luminosa S.r.l.		●			Milan (I)	0.1	EUR	94.0		31.12.
NetLeit AG			●		Visp	0.1	CHF	67.0		31.12.
Onyx Energie Dienste AG	●				Langenthal	2.0	CHF	100.0		31.12.
Onyx Energie Mittelland AG				●	Langenthal	10.5	CHF	99.8	●	31.12.
Onyx Energie Netze AG			●		Langenthal	10.5	CHF	100.0		31.12.
Onyx Energie Produktion AG	●				Langenthal	3.0	CHF	100.0		31.12.
Regionaler Wärmeverbund AG										
Heimberg-Steffisburg (REWAG)	●				Heimberg	2.5	CHF	51.0		31.12.
Simmentaler Kraftwerke AG	●				Erlenbach	7.31	CHF	83.9		31.12.
Société des forces électriques de la Goule	●		●		Saint-Imier	3.5	CHF	80.8		31.12.
sol-E Suisse AG	●				Berne	30.0	CHF	100.0	●	31.12.
Termoelettrica Veneta S.r.l.		●			Milan (I)	0.11	EUR	100.0		31.12.
TW Energie AG	●				Berne	0.4	CHF	75.0		31.12.
Volturno Wind S.r.l.		●			Verbania (I)	0.03	EUR	100.0		31.12.

	Energy Switzerland	Energy International and Trading	Networks	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW FMB Energy Ltd. holdings	Closing date
<b>Joint ventures</b>										
Bieleree Kraftwerke AG BIK	●				Bienne	20.0	CHF	50.0		31.12.
Biopower Sardegna S.r.l.		●			Milan (I)	0.1	EUR	10.5		31.12.
Biopower S.p.A.		●			Caserta (I)	4.71	EUR	24.9		31.12.
BKWind GmbH & Co. KG		●			Wörrstadt (D)	1.45	EUR	50.0		31.12.
BKWind Verwaltungs GmbH		●			Wörrstadt (D)	0.03	EUR	50.0		31.12.
Officine idroelettriche di Blenio SA	●				Blenio	60.0	CHF	12.0		30.09.
cc energie sa	●				Murten	1.0	CHF	65.0	●	31.12.
EDJ, Energie du Jura S.A.	●				Delémont	7.43	CHF	34.9	●	30.09.
Electra-Massa AG	●				Naters	40.0	CHF	16.1		31.12.
Electricité de la Lienne SA	●				Sion	24.0	CHF	33.3		30.09.
Engadiner Kraftwerke AG	●				Zernez	140.0	CHF	30.0		30.09.
Replacement nuclear power plant Beznau Ltd.	●				Döttingen	1.0	CHF	11.5	●	31.12.
Replacement nuclear power plant Muehleberg Ltd.	●				Mühleberg	1.0	CHF	51.0	●	31.12.
Etrans Ltd.			●		Laufenburg	7.5	CHF	11.5		31.12.
Forces Motrices de Conches S.A.	●				Ernen	30.0	CHF	40.0		31.12.
Grande Dixence SA	●				Sion	300.0	CHF	13.3		31.12.
Juvent SA	●				Berne	0.1	CHF	65.0		31.12.
Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)	●				Berne	150.0	CHF	33.3	●	31.12.
Kernkraftwerk Leibstadt AG	●				Leibstadt	450.0	CHF	9.5		31.12.
Kraftwerk Sanetsch AG (KWS)	●				Gsteig	3.2	CHF	50.0		30.09.
Kraftwerke Hinterrhein AG	●				Thusis	100.0	CHF	7.7		30.09.
Kraftwerke Mattmark AG	●				Saas-Grund	90.0	CHF	11.1		30.09.
Forces Motrices de Mauvoisin SA	●				Sion	100.0	CHF	19.5		30.09.
Kraftwerke Oberhasli AG	●				Innertkirchen	120.0	CHF	50.0		31.12.
La Prairie Biogaz	●				Porrentruy	–	CHF	30.0		31.12.
Officine idroelettriche della Maggia SA	●				Locarno	100.0	CHF	10.0		30.09.
Zwilag Zwischenlager Würenlingen AG	●				Würenlingen	5.0	CHF	10.7		31.12.

	Energy Switzerland	Energy International and Trading	Networks	Other	Domicile	Share/basic capital in millions	Currency	% direct holding	BKW FMB Energy Ltd. holdings	Closing date
<b>Associated companies</b>										
Abonax AG	●				St. Gallen	1.0	CHF	34.0	●	31.12.
AEK Energie AG	●				Solothurn	6.0	CHF	39.5		31.12.
DEVIWA AG	●				Leuk	0.1	CHF	34.0	●	31.12.
Efforte AG	●				Olten	3.0	CHF	33.3		31.12.
E.ON Produzione Centrale Livorno Ferraris S.p.A.		●			Milan (I)	0.1	EUR	25.0		31.12.
em electrocontrol ag			●		Berne	0.25	CHF	36.0	●	31.12.
Energie Biberist AG EBAG	●				Biberist	5.0	CHF	25.0		31.12.
EVTL Energieversorgung Talschaft										
Lötschen AG	●				Wiler	1.27	CHF	49.0	●	31.12.
Fortore Wind S.r.l.		●			Lucera (I)	136.0	EUR	33.0		31.12.
GEBNET AG	●				Lohn- Ammannsegg	1.79	CHF	87.4	●	31.12.
Gesellschaft Biogas-Ittigen	●				Ittigen	-	CHF	25.0		31.12.
GDF SUEZ Kraftwerk Wilhelmshaven GmbH & Co. KG		●			Wilhelmshaven (D)	-	EUR	33.0		31.12.
Hertli & Bertschy AG, elektrische Anlagen			●		Tafers	0.05	CHF	34.0		31.12.
Kraftwerk Gohlhaus AG	●				Lützelflüh	0.13	CHF	34.0		31.12.
Kraftwerk Wannenfluh AG	●				Rüderswil	0.3	CHF	32.9		31.12.
Kraftwerke Färdabach AG	●				Ferden	0.1	CHF	34.0	●	31.12.
Metanord SA	●				Bellinzona	11.33	CHF	29.4	●	31.12.
NIS AG			●		Emmen	1.0	CHF	25.0	●	31.12.
Oberland Energie AG	●				Thun	0.1	CHF	49.0	●	31.12.
Panotron Ltd.	●				Kirchberg	1.45	CHF	17.2	●	31.12.
Resun AG	●				Aarau	1.0	CHF	31.3	●	30.09.
Spontis SA			●		Granges-Paccot	0.1	CHF	22.5	●	31.12.
STC S.p.A.		●			Forli (I)	12.8	EUR	40.0	●	31.12.
STKW Energie Dörpen GmbH & Co. KG		●			Dörpen (D)	-	EUR	24.9		31.12.
swissgrid ltd.			●		Laufenburg	15.0	CHF	11.2	●	31.12.
Tamarete Energia S.r.l.		●			Ortona (I)	3.6	EUR	48.0		31.12.
Youility AG	●				Berne	7.5	CHF	39.8	●	31.12.

# Report of the Statutory Auditor on the Consolidated Financial Statements

**To the General Meeting of BKW FMB Energy Ltd., Berne**  
**Berne, March 12, 2010**

## **Report of the statutory auditor on the consolidated financial statements**

As statutory auditor, we have audited the consolidated financial statements of BKW FMB Energy Ltd., which comprise the income statement, statement of comprehensive income, balance sheet, statement of shareholders' equity, cash flow statement and notes (pages 6 to 64) for the year ended 31 December 2009.

### **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements for the year ended 31 December 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

## Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Over-sight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd.

Thomas Stenz  
*Licensed audit expert*  
*(Auditor in charge)*

Marc Christen  
*Licensed audit expert*

# Financial Statements of BKW FMB Energy Ltd.

## Income Statement

	2009	2008
CHF thousands		
Net sales	3,156,598	2,959,409
Changes in work in progress	-1,733	875
Own work capitalised	2,677	2,710
Other operating income	47,153	62,147
<b>Total operating revenue</b>	<b>3,204,695</b>	<b>3,025,141</b>
Energy procurement	-2,172,200	-2,097,052
Material and third-party services	-225,381	-242,357
Personnel expenses	-254,530	-234,759
Depreciation	-92,799	-105,255
Other operating expenses	-155,341	-167,099
<b>Total operating expenses</b>	<b>-2,900,251</b>	<b>-2,846,522</b>
<b>Profit before interest and income tax</b>	<b>304,444</b>	<b>178,619</b>
Financial income	169,699	233,290
Financial expenses	-123,514	-345,260
Income taxes	-64,529	-22,621
<b>Profit before extraordinary items and taxes</b>	<b>286,100</b>	<b>44,028</b>
Gain on disposal of non-current assets	2,028	47,381
<b>Net profit</b>	<b>288,128</b>	<b>91,409</b>

# Financial Statements of BKW FMB Energy Ltd.

## Balance Sheet

	Note	31.12.2009	31.12.2008
CHF thousands			
<b>Assets</b>			
Property, plant and equipment	2	811,643	705,581
Holdings		1,543,276	1,163,406
Non-current receivables and other financial assets	3	937,493	805,458
Intangible assets		37,075	14,829
<b>Total non-current assets</b>		<b>3,329,487</b>	<b>2,689,274</b>
Inventories		12,215	6,096
Trade accounts receivable	4	458,956	530,873
Other accounts receivable	5	718,618	820,859
Accrued income and prepaid expenses		145,192	137,742
Other current financial assets		58,425	85,371
Cash and cash equivalents		403,725	157,907
<b>Total current assets</b>		<b>1,797,131</b>	<b>1,738,848</b>
<b>Total assets</b>		<b>5,126,618</b>	<b>4,428,122</b>
CHF thousands			
<b>Liabilities</b>			
Share capital	6	132,000	132,000
General legal reserves		72,560	72,560
Reserves for treasury shares	7	83,201	96,224
Free reserves		569,699	556,676
Unappropriated retained earnings		356,686	188,543
<b>Total shareholders' equity</b>		<b>1,214,146</b>	<b>1,046,003</b>
Provisions		2,341,531	2,310,788
Bonds	8	550,000	200,000
Third-party rights of use		139,978	131,110
Other long-term liabilities		8,282	5,547
Other long-term liabilities BKW pension plan		30,000	30,000
<b>Total long-term liabilities</b>		<b>3,069,791</b>	<b>2,677,445</b>
Trade accounts payable	9	286,426	229,905
Other short-term liabilities	10	361,360	252,463
Deferred income and accrued expenses		194,895	222,306
<b>Total short-term liabilities</b>		<b>842,681</b>	<b>704,674</b>
<b>Total liabilities</b>		<b>3,912,472</b>	<b>3,382,119</b>
<b>Total liabilities and shareholders' equity</b>		<b>5,126,618</b>	<b>4,428,122</b>

# Financial Statements of BKW FMB Energy Ltd.

## Notes and Explanations to the Financial Statements

### 1 Preamble

The following explanations comply with the standards prescribed by Art. 663b of the Swiss Code of Obligations (OR). The fully consolidated companies and companies consolidated at equity (hereafter referred to as associated companies) as well as their subsidiaries, listed on pages 62 to 64, are regarded as participations under the terms of Art. 663a and 663b of the Swiss Code of Obligations.

### 2 Property, plant and equipment

Property, plant and equipment covers plant, buildings and land, operating equipment and installations under construction. The fire insurance values at 31 December 2009 amounted to CHF 2,472.4 million (2008: CHF 2,442.0 million). Insurance policies taken out by BKW FMB Energy Ltd. also cover the property, plant and equipment of BKW Übertragungsnetz AG.

### 3 Non-current receivables and other financial assets

Financial assets cover financial loans, receivables from state funds, and long-term financial claims on banks and securities. Receivables from the state funds are stated at fair value less reserves for value fluctuations.

CHF thousands	31.12.2009	31.12.2008
Financial assets		
› Third parties	790,008	660,036
› Associated companies	4,985	4,222
› Group companies	142,500	141,200
<b>Total</b>	<b>937,493</b>	<b>805,458</b>

### 4 Trade accounts receivable

CHF thousands	31.12.2009	31.12.2008
Trade accounts receivable		
› Third parties	263,069	334,493
› Associated companies	22,803	14,860
› Group companies	171,374	180,705
Work in progress	1,710	815
<b>Total</b>	<b>458,956</b>	<b>530,873</b>

## 5 Other accounts receivable

Other accounts receivable from third parties cover receivables from financial institutions with a minimum term to maturity of three months and a maximum residual term to maturity of 12 months (2009: CHF 580 million, 2008: CHF 610 million), as well as credit balances from settlements with various tax offices and social plans. This position includes a credit of CHF 3.9 million (2008: CHF 3.9 million) pledged as collateral for conducting transactions on the EEX.

Receivables from associated and Group companies cover current accounts for day-to-day business and short-term loans.

CHF thousands	31.12.2009	31.12.2008
Other accounts receivable		
› Third parties	624,641	652,590
› Associated companies	14,996	8,435
› Group companies	78,981	159,834
<b>Total</b>	<b>718,618</b>	<b>820,859</b>

## 6 Share capital

The share capital is divided into 5,280,000 registered shares at a par value of CHF 2.50 each. BKW FMB Energy Ltd. shares have been traded on the SIX Swiss Exchange since May 2003.

	31.12.2009	31.12.2008
Canton of Berne	52.54%	52.54%
E.ON Energie AG	20.99%	20.99%
Groupe E Ltd.	4.99%	4.99%

## 7 Treasury shares

	BKW		Group companies		Total	
	CHF thousands	Number	CHF thousands	Number	CHF thousands	Number
<b>At 31.12.2008</b>	<b>96,171</b>	<b>837,601</b>	<b>53</b>	<b>17,980</b>	<b>96,224</b>	<b>855,581</b>
Additions	353	4,750			353	4,750
Disposals	-13,376	-116,574			-13,376	-116,574
<b>At 31.12.2009</b>	<b>83,148</b>	<b>725,777</b>	<b>53</b>	<b>17,980</b>	<b>83,201</b>	<b>743,757</b>

At 31 December 2009 the total of 743,757 shares or CHF 83.2 million is disclosed as reserves for treasury shares. Due to the lower market price versus the acquisition value at 31 December 2009, treasury shares on the assets side were adjusted by CHF 24.7 million.

## 8 Bonds

CHF thousands	31.12.2009	31.12.2008
3% 2007 – 2022	200,000	200,000
3.375% 2009 – 2019	350,000	0

## 9 Trade accounts payable

CHF thousands	31.12.2009	31.12.2008
Trade accounts payable		
› Third parties	234,853	169,215
› Associated companies	21,762	15,250
› Group companies	29,811	45,440
<b>Total</b>	<b>286,426</b>	<b>229,905</b>

## 10 Other short-term liabilities

CHF thousands	31.12.2009	31.12.2008
Other short-term liabilities		
› Third parties	124,863	69,440
› Associated companies	9,818	19,367
› Group companies	195,886	130,754
› BKW pension plan	255	3,655
Short-term provisions	30,538	29,247
<b>Total</b>	<b>361,360</b>	<b>252,463</b>

## 11 Contingent liabilities

Shareholders of Kernkraftwerk-Beteiligungsgesellschaft AG have agreed to pay the annual costs due on their share, including interest and repayment of borrowed funds. BKW has undertaken the same obligation towards the wind, hydro and nuclear power plants as well as towards nuclear waste disposal companies in which it participates via BKW FMB Energy Ltd. or BKW FMB Beteiligungen AG. In the case of another company, BKW FMB Energy Ltd. guarantees repayment and interest on borrowed funds in proportion to the BKW FMB Energy Ltd./BKW FMB Beteiligungen AG holding in this company. Nuclear power plant operators are under a limited obligation to make supplementary contributions to the decommissioning fund in the event that an individual contributor is unable to pay. Since the entry into force of the new Nuclear Energy Act on 1 February 2005, this limited obligation to make supplementary contributions has also applied to the disposal fund.

CHF thousands	31.12.2009	31.12.2008
Group guarantees in favour of third parties	166,315	200,889

## 12 Leasing obligations not included in the balance sheet

Operating lease obligations outstanding at 31 December 2009 amounted to CHF 1.1 million (2008: CHF 2.0 million).

## 13 Remuneration of members of the Board of Directors and Executive Board

Remuneration of members of the Board of Directors in 2009

CHF thousands		Fixed remuneration	Share-based payment	Other remuneration	Total
Dr Fritz Kilchenmann	Chairman	280	6	101	387
Antoinette Hunziker-Ebnetter	Vice Chairwoman	78	0	7	85
Marc-Alain Affolter	Member	66	4	15	85
Dr Georges Bindschedler	Member	58	4	5	67
Barbara Egger-Jenzer	Member	66	0	8	74
Urs Gasche	Member	76	2	9	87
Hartmut Geldmacher	Member (from 30.04.2009)	37	0	20	57
Prof. Dr Eugen Marbach	Member	58	4	13	75
Ulrich Sinzig	Member	70	0	13	83
Dirk Steinheider	Member	58	9	33	100
Philippe Viridis	Member	60	9	10	79
<b>Total</b>		<b>907</b>	<b>38</b>	<b>234</b>	<b>1,179</b>

## Remuneration of members of the Board of Directors in 2008

CHF thousands		Fixed remuneration	Share-based payment	Other remuneration	Total
Dr Fritz Kilchenmann	Chairman	275	19	94	388
Antoinette Hunziker-Ebneter	Vice Chairwoman	74	0	10	84
Marc-Alain Affolter	Member	53	20	14	87
Dr Georges Bindschedler	Member	57	20	7	84
Barbara Egger-Jenzer	Member	64	0	8	72
Karl-Michael Fuhr	Member (until 03.11.2008)	44	0	11	55
Urs Gasche	Member	70	5	9	84
Dr Hans-Dieter Harig	Member (until 09.05.2008)	25	20	21	66
Prof. Dr Eugen Marbach	Member	53	20	14	87
Ulrich Sinzig	Member	64	28	16	108
Dirk Steinheider	Member (from 09.05.2008)	32	0	15	47
Philippe Viridis	Member	53	28	12	93
<b>Total</b>		<b>864</b>	<b>160</b>	<b>231</b>	<b>1,255</b>

“Fixed remuneration” comprises the fixed annual compensation and allowances for meetings which are paid to members of the Board of Directors for their services. For individual members of the Board, payment is made partly to the employers. “Share-based payments” comprise the benefit in fair value of the preferential purchase of BKW shares. In 2009 each member of the Board of Directors was offered the option of acquiring 600 BKW shares at a preferential price (2008: 600 shares). The shares acquired are subject to a blocking period of up to five years, which is taken into account when measuring the remuneration by applying a reduction. Members of the Board of Directors also receive a lump-sum expense allowance and the Chairman additionally receives compensation for the costs of his secretariat and infrastructure, which are included under “Other remuneration”. This also includes the employer’s contributions to AHV/IV (Old Age and Surviving Dependents’ Insurance/Disability Insurance) as well as employee contributions and withholding tax paid by BKW.

No loans or credits were granted to active or former members of the Board of Directors or parties related to them.

## Remuneration of members of the Executive Board and the highest-earning member

CHF thousands	Kurt Rohrbach, President		Total paid to Executive Board members	
	2009	2008	2009	2008
Fixed remuneration	490	460	1,870	1,694
Profit sharing	100	102	325	358
Share-based payment	9	28	35	104
Pension benefits	124	171	465	583
<b>Total</b>	<b>723</b>	<b>761</b>	<b>2,695</b>	<b>2,739</b>

Members of the Executive Board receive a fixed annual remuneration for their services, including a variable bonus of up to 35% of the annual remuneration, indexed to business success and personal performance. The sum of the share of results for members of the Executive Board amounts to no more than 25% of the total fixed remuneration. In 2009 each member of the Executive Board was offered the option of acquiring 600 BKW shares at a preferential price (2008: 600 shares). The shares acquired are subject to a blocking period of up to five years, which is taken into account when measuring the remuneration by applying a reduction. All remuneration subject to social security contributions is recorded gross. Pension benefits include the employer's contributions to the pension fund and AHV/IV/ALV insurance. Effective 1 April 2008, the Executive Board was enlarged from four to five members.

On 31 December 2009 there were outstanding loans of CHF 122,000 (2008: CHF 124,000) in respect of members of the Executive Board. No loans have been granted to the highest-earning member.

## 14 Holdings of members of the Board of Directors and Executive Board

## Members of the Board of Directors

Number of shares		31.12.2009	31.12.2008
Dr Fritz Kilchenmann	Chairman	11,800	11,400
Antoinette Hunziker-Ebnetter	Vice Chairwoman	600	601
Marc-Alain Affolter	Member	1,200	601
Dr Georges Bindschedler	Member	3,430	2,601
Barbara Egger-Jenzer	Member	400	410
Urs Gasche	Member	957	817
Hartmut Geldmacher	Member (from 30.04.2009)	0	n/a
Prof. Dr Eugen Marbach	Member	1,400	801
Ulrich Sinzig	Member	2,300	2,310
Dirk Steinheider	Member (from 09.05.2008)	600	0
Philippe Viridis	Member	3,320	2,730
<b>Total</b>		<b>26,007</b>	<b>22,271</b>

## Members of the Executive Board

Number of shares		31.12.2009	31.12.2008
Kurt Rohrbach	President	9,090	8,200
Heinz Raaflaub	Head of Management Services (until 31.12.2008)	n/a	2,780
Patrick Braun	Head of Networks	3,968	2,828
Hermann Ineichen	Head of Energy Switzerland	2,820	2,772
Samuel Leupold	Head of Energy International and Trading	1,335	1,335
Beat Gossenbacher	Head of Finance and Services (from 01.01.2009)	600	n/a
<b>Total</b>		<b>17,813</b>	<b>17,915</b>

Individual shares held by members of the Board of Directors and Executive Board are subject to a blocking period of up to five years.

## 15 Risk assessment

Risk management is viewed as a supporting function for senior management. The purpose of risk management is to provide decision makers with a transparent representation of the risks associated with individual business activities. The core element is the risk management process which systematically identifies, assesses and manages risks and monitors the implementation of risk mitigation measures. It is integrated in the financial management process.

The defined risk management principles govern the management of operational, market price, share price, currency conversion, and interest rate and credit risks. Principles have also been laid down governing the management of cash and cash equivalents as well as short- and long-term cash deposits. The Group monitors and controls these risks.

Corporate Risk Management reports directly to the Head of Finance and Controlling, defines Group-wide requirements for risk management, and aggregates risks at Group level.

The risk spectrum monitored by the Executive Board covers risks related to operating activities as well as to strategy and its implementation in projects. An Executive Board level Risk Committee prepares guidelines and risk reports as a decision-making basis for the Executive Board. The Risk Committee is an advisory body which submits independent recommendations on risk issues to the Executive Board in predefined processes.

The Board of Directors last assessed the risks related to operating activities at its meeting on 4 December 2009.

## Appropriation of Retained Earnings

### Proposal to the General Shareholders' Meeting

CHF	
Retained earnings/profit carried forward	68,558,260
Net profit	288,127,554
<b>Unappropriated retained earnings</b>	<b>356,685,814</b>

The Board of Directors proposes the following appropriation of retained earnings:

Dividend of CHF 2.50 per share	132,000,000
Balance carried forward	224,685,814
<b>Total</b>	<b>356,685,814</b>

On the balance sheet date BKW FMB Energy Ltd. held 725,777 treasury shares. These shares carry no dividend rights. This total may change up to the date of dividend payment.

Subject to approval by the General Shareholders' Meeting, the following will be paid out:

Dividend per share	2.500
Minus 35% withholding tax	-0.875
Net dividend	1.625

Berne, 12 March 2010

On behalf of the Board of Directors

Chairman

Dr Fritz Kilchenmann

Executive Board

Kurt Rohrbach

Hermann Ineichen

Patrick Braun

Beat Grossenbacher

Samuel Leupold

# Report of the Statutory Auditor on the Financial Statements

**To the General Meeting of BKW FMB Energy Ltd., Berne**  
**Berne, March 12, 2010**

## **Report of the statutory auditor on the financial statements**

As statutory auditor, we have audited the financial statements of BKW FMB Energy Ltd., which comprise the income statement, balance sheet and notes (pages 67 to 75) for the year ended 31 December 2009.

### **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements for the year ended 31 December 2009 comply with Swiss law and the company's articles of incorporation.

## Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Over-sight Act (AOA) and independence (Art. 728 Code of Obligations (CO) and Art. 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd.

Thomas Stenz  
*Licensed audit expert*  
*(Auditor in charge)*

Marc Christen  
*Licensed audit expert*

## Investor Information

### Key facts about the BKW share, financial calendar

BKW FMB Energy Ltd. share capital of CHF 132 million is divided into 52,800,000 registered shares at a par value of CHF 2.50 each. The share price fell by 21.1% during the period under review.

#### Performance of the BKW share 31.12.2008–31.12.2009



#### Listing

BKW FMB Energy Ltd. shares are listed on the main segment of the SIX Swiss Exchange and are also listed on the BX Berne Exchange.

Ticker symbol for SIX and BX:	BKWN
Security number:	2 160 700
ISIN code:	CH 002 160700 4

#### Appropriation of retained earnings

The Board of Directors proposes to the Annual General Meeting a dividend of CHF 2.50 per share for the 2009 financial year. The dividend will be paid out on 23 April 2010.

### Restrictions on share transferability

The Company reserves the right to refuse registration of an acquirer of shares in the shareholder register if, through the acquisition, a natural person or legal entity or a partnership directly or indirectly holds more than 5% of the entire share capital. The same restriction applies to corporate bodies, partnerships or groups of persons who are interrelated or otherwise linked and act in concert to acquire shares. Registration may also be refused if the acquirer has not expressly declared that the shares were acquired in his own name and on his own account.

### Significant shareholders

	31.12.2009	31.12.2008
Canton of Berne	52.54%	52.54%
E.ON Energie AG	20.99%	20.99%
Groupe E Ltd.	4.99%	4.99%

The proportion of shares held by the public (free float) is approximately 26.5% (Groupe E Ltd. holds less than 5% and is included under the free float). The BKW share is listed on the Swiss Performance Index (SPI).

### Key figures per share

	31.12.2009	31.12.2008
Earnings per share (in CHF)	5.74	2.65
Equity per share (in CHF)	61.87	58.63
Dividend per share (in CHF)	2.50	2.30
Dividend yield (in %) <sup>1</sup>	3.1	2.3
Price/earnings ratio <sup>1</sup>	14.0	38.5
Year-end price (in CHF)	80.50	102.00
Year high (in CHF)	108.00	159.50
Year low (in CHF)	63.35	90.00

<sup>1</sup> Based on year-end price

### Financial calendar

General Shareholders' Meeting	16 April 2010
Dividend Payment	23 April 2010
Half-Year Report	16 September 2010

Contact: [investor.relations@bkw-fmb.ch](mailto:investor.relations@bkw-fmb.ch)

# Production Facts & Figures

	Energy portion <sup>1</sup>	Installed production, BKW portion	2009 BKW purchases	2008 BKW purchases	Change versus 2008
	%	MW	GWh	GWh	%
<b>Own power plants and Group companies</b>					
<b>Hydroelectric plants</b>					
Aarberg	100.0	15.0	79.9	81.8	-2.3
Bannwil	100.0	28.5	142.9	155.6	-8.2
Kallnach	100.0	8.0	61.0	40.8	49.5
Kandergrund	100.0	18.8	95.5	93.0	2.7
Mühleberg	100.0	45.0	150.5	155.5	-3.2
Niederried-Radelfingen	100.0	15.0	69.9	80.8	-13.5
Spiez	100.0	18.6	98.8	100.9	-2.1
Simmentaler Kraftwerke AG	100.0	27.0	93.6	94.1	-0.5
Kraftwerke Kander Alp AG	100.0	2.2	1.1	n/a	
Kraftwerke Milibach AG	100.0	1.4	0.0	n/a	
Elektrizitätswerk Grindelwald AG	100.0	1.5	5.5	5.9	-6.8
EWB Energie AG	100.0	6.0	32.4	32.8	-1.2
Société des forces électriques de la Goule	100.0	5.3	19.8	26.8	-26.1
Onyx Energie Produktion AG	100.0	20.0	85.9	92.4	-7.0
Idroelettrica Lombarda S.r.l.	100.0	43.0	137.9	139.0	-0.8
<b>Total hydroelectric plants</b>		<b>255.3</b>	<b>1,074.7</b>	<b>1,099.4</b>	<b>-2.2</b>
<b>Nuclear power plants</b>					
Mühleberg	100.0	<b>373.0</b>	<b>2,959.7</b>	<b>2,955.8</b>	<b>0.1</b>
<b>New renewable energy</b>					
sol-E Suisse AG	100.0	6.1	11.6	12.8	-9.4
Biomassekraftwerk Otelfingen AG	100.0	2.6	8.8	10.9	-19.3
Bockelwitz wind farm	100.0	15.0	17.4	4.2	314.3
<b>Total new renewable energy</b>		<b>23.7</b>	<b>37.8</b>	<b>27.9</b>	<b>35.5</b>
<b>Total own power plants and Group companies</b>		<b>652.0</b>	<b>4,072.2</b>	<b>4,083.1</b>	<b>-0.3</b>

<sup>1</sup> The energy portion may deviate from the capital shareholding due to special energy supply agreements.

	Energy portion <sup>1</sup>	Installed production, BKW portion	2009 BKW purchases	2008 BKW purchases	Change versus 2008
	%	MW	GWh	GWh	%
<b>Holdings and purchasing rights</b>					
<b>Hydroelectric plants</b>					
Bielensee Kraftwerke AG BIK	50.0	9.7	55.6	56.6	-1.8
Officine idroelettriche di Blenio SA	12.0	49.3	122.0	111.3	9.6
Electra-Massa AG	16.1	54.8	101.6	97.6	4.1
Electricité de la Lienne SA	29.0	26.7	38.3	77.1	-50.3
Engadiner Kraftwerke AG	29.7	128.0	425.7	420.1	1.3
Forces Motrices de Conches S.A.	42.5	50.0	138.3	122.8	12.6
Grande Dixence SA	13.3	90.0	279.2	313.8	-11.0
Kraftwerke Hinterrhein AG	7.6	50.0	109.2	121.9	-10.4
Kraftwerke Mattmark AG	11.1	26.4	76.7	51.9	47.8
Forces Motrices de Mauvoisin SA	19.5	77.2	214.5	209.8	2.2
Kraftwerke Oberhasli AG	50.0	551.0	1,173.9	1,124.7	4.4
Kraftwerk Sanetsch AG (KWS)	50.0	9.0	15.1	18.2	-17.0
Officine idroelettriche della Maggia SA	10.0	62.0	158.6	115.3	37.6
Aarewerke AG	10.0	4.0	20.5	21.6	-5.1
Flumenthal	37.9	8.2	48.1	49.7	-3.2
<b>Total hydroelectric plants</b>		<b>1,196.3</b>	<b>2,977.3</b>	<b>2,912.4</b>	<b>2.2</b>
<b>Nuclear power plants</b>					
Kernkraftwerk Leibstadt AG	14.7	171.0	1,380.2	1,368.0	0.9
Cattenom	3.0	155.0	1,004.6	1,052.7	-4.6
Fessenheim	5.0	90.0	439.4	507.4	-13.4
<b>Total nuclear power plants</b>		<b>416.0</b>	<b>2,824.2</b>	<b>2,928.1</b>	<b>-3.5</b>
<b>New renewable energy</b>					
Mont-Soleil solar power plant	17.8	0.5	0.7	0.5	40.0
<b>Thermal power plants</b>					
E.ON Produzione Centrale					
Livorno Ferraris S.p.A.	25.0	200.0	648.2	375.1	72.8
<b>Total holdings and purchasing rights</b>		<b>1,812.8</b>	<b>6,450.4</b>	<b>6,216.1</b>	<b>3.8</b>
<b>Total production including purchases</b>		<b>2,464.8</b>	<b>10,522.6</b>	<b>10,299.2</b>	<b>2.2</b>

<sup>1</sup> The energy portion may deviate from the capital shareholding due to special energy supply agreements.

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